

LINN-MAR COMMUNITY SCHOOL DISTRICT

Marion, Iowa



Comprehensive Annual Financial Report

**For the Fiscal Year
Ended June 30, 2005**

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

LINN-MAR COMMUNITY SCHOOL DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS

<u>Introductory Section</u>	<u>Page</u>
Letter of Transmittal	8-13
Organization Chart	14
Certificate of Excellence in Financial Reporting for the fiscal year ended June 30, 2004 awarded by the Association of School Business Officials of the United States and Canada	15
Board of Education and School District Administration	16
 <u>Financial Section</u>	
Independent Auditor's Report	18-19
Management Discussion and Analysis (MD&A)	20-31
Basic Financial Statements	
Exhibit	
District-Wide Financial Statements:	
A Statement of Net Assets	34-35
B Statement of Activities	36-39
Governmental Fund Financial Statements:	
C Balance Sheet	40
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	41
E Statement of Revenues, Expenditures and Changes in Fund Balances	42-43
F Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	44
Proprietary Fund Financial Statements:	
G Statement of Net Assets	45
H Statements of Revenues, Expenditures and Changes in Net Assets	46
I Statement of Cash Flows	47-48
Fiduciary Fund Statements	
J Statement of Fiduciary Assets and Liabilities	49
Notes to the Basic Financial Statements	50-63
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	66
Notes to Required Supplementary Information – Budgetary Reporting	67

LINN-MAR COMMUNITY SCHOOL DISTRICT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 TABLE OF CONTENTS

<u>Financial Section</u> (continued)	<u>Page</u>
Other Supplementary Information:	
Schedule	
Non-major Governmental Funds:	
1 Combining Balance Sheet	70
2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances	72-75
3 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	76
4 Schedule of Changes in Fiduciary Assets and Liabilities	77
5 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	78
 <u>Statistical Section</u>	
Government-wide expenditures by function – governmental activities	80
General fund expenditures, by function, and other financing uses	81
Government-wide revenues by source – governmental activities	82
General fund revenues, by source, and other financing sources	83
Property tax levies and collections	84
Assessed and taxable value of property	86-87
Property tax rates per \$1,000 assessed valuation, all direct and overlapping Governments	88-91
Ratio of general bonded debt to assessed value and general bonded debt per Capita and per student	92-93
Computation of legal debt margin	94-95
Computation of direct and overlapping debt	96
Ratio of annual debt service expenditures for general bonded debt to total general fund expenditures	97
Miscellaneous demographic statistics	98
Property values, construction, and bank deposits	99
Principal taxpayers	100
New commercial and industrial building permits	101
New single and multi family dwelling permits	102
Operating cost per pupil	103
Financial solvency ratio	104
Schedule of average daily membership (ADM), average daily attendance(ADA) and ratio of ADA to ADM	105
Open enrolled students	106
Property tax rates by fund per \$1,000 assessed valuation	107

LINN-MAR COMMUNITY SCHOOL DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS

<u>Internal Controls and Compliance Section</u> (continued)	<u>Page</u>
Schedule of Expenditures of Federal Awards	110-111
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements	112-113
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance	114-115
Schedule of Findings and Questioned Costs	116-120

This page intentionally left blank

Introductory Section

December 19, 2005

Mr. James Green, President
and Members of the Board of Education
Linn-Mar Community School District
Marion, Iowa

We are proud to submit to you the Comprehensive Annual Financial Report of the Linn-Mar Community School District for the year ending June 30, 2005. This report has been prepared to conform to the guidelines recommended by the Association of School Business Officials International.

MANAGEMENT RESPONSIBILITY

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed information is fairly stated in all material respects and is presented in a manner which sets forth the financial position and results of operations of the governmental activities, business-type activities, each major fund and aggregate of the remaining funds of the District in accordance with generally accepted accounting principles, (GAAP). It includes all funds and account groups of the entire District. The District is not included in any other reporting entity, nor are other entities included within this report. All disclosures necessary to enable a reader to gain maximum understanding of the District's financial activities have been included.

CAFR

The 2005 Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical and Internal Controls and Compliance. The reader is encouraged to use all four sections while studying this report.

Introductory Section- This section includes a transmittal letter, economic outlook of the community, the District's accomplishments, the District's Team Leadership Network and a list of the Board of Directors and District Officials.

Financial Section- The School District's financial statements and schedules are presented in accordance with the financial reporting pyramid set forth by the Governmental Accounting Standards Board. This section includes the independent auditor's report, Management's Discussion and Analysis (MD&A), audited basic financial statements, required supplementary information, and combining and individual fund statements and schedules. The audited basic financial statements provide both an overview and a broad long-term perspective of the School District as a whole in the government-wide financial statements. The MD&A is provided by management as a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditor.

Statistical Section- This section includes selective financial, economic and demographic information, generally presented on a multi-year basis for comparison.

Compliance Section- This section contains the auditor's reports on the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. This section also contains all necessary schedules and auditor's reports required for the District to comply with these regulations.

Linn-Mar Community School District

This report includes all funds of Linn-Mar Community School District. The District provides a full range of services including instructional, administrative, transportation, food service, maintenance of sites and facilities, clerical, and co-curricular.

The District is governed by a seven-member elected Board of Education who serve staggered terms of three years. The Board of Directors is a policy-making and planning body whose decisions are carried out by school administrators.

The Linn-Mar Community School District is located in Linn County in east central Iowa. The District includes portions of Cities of Cedar Rapids, Marion, and Robins, as well as unincorporated land in northern Linn County. The District originated in 1948 as Marion Rural Independent School District, and became originated as the Marion Rural Community School District under the Community School Reorganization Act adopted in 1955. It operated under this name from 1955 to 1963. The District is currently the 11th largest of Iowa's 371 public school systems. The certified enrollment taken on the third Friday of September was approximately 5,628 students. The District operates one High School, one Middle School, one PK-8 School, and five elementary schools. The District provides a full range of educational services appropriate to students in early childhood and grades kindergarten through twelve. These services include basic, regular and enriched academic education; special education for children with special needs; vocational education; and numerous individualized programs such as specialized instruction for students at-risk and for limited English speaking students

In addition to a strong PK-12 educational program, we work with our local community college to offer learning opportunities for our adults in our community with our community education program.

The District is supported financially by state aid, property taxes, state and federal grants for special projects and local revenue received for tuition and other services.

Economic Condition and Outlook

Linn-Mar Community School District is located in the Cedar Rapids Metropolitan area. The District covers 63 square miles and encompasses the outer edges of the city of Marion and the NE portion of city of Cedar Rapids. The Cedar Rapids metropolitan area is home to numerous Fortune 500 companies, two of which are located in Linn-Mar's District Boundaries.

Rockwell Collins, a Fortune 500 company, is the largest employer, not only in the Linn-Mar District, but in the Cedar Rapids metro area. Rockwell Collins produces advanced communications and aviation electronics for both the government and commercial customers. The company is a leading supplier of commercial and military aviation electronics and communications systems.

Rockwell currently employs more than 7,000 people in the Greater Cedar Rapids metropolitan area and is looking at expanding. Rockwell Collins has been and will continue to have the state's largest technical workforce. Rockwell Collins also prides itself in the partnerships they have established with the local school districts in the area.

Another Fortune 500 business has expanded into the Linn-Mar District. A new Walmart Super Center has been under construction the past year and will be opening its doors the first part of 2006. This will create approximately 350 to 400 new jobs and increase the assessed valuation of the district by approximately 10 million.

The greatest growth in our district continues to be residential. In 2004, 289 new single-family dwelling building permits were issued at a valuation of \$29,497,226 in the city of Marion and 14 new multi-family dwelling units were issued at a valuation of \$3,245,040.

District Major Initiative and Achievements

Our staff, Board, students, and community members need to be commended for making the 2004-2005 school year such a wonderful and productive period. Some of the many accomplishments for the year include:

- The passage of the .67 cent Physical Plant and Equipment Levy for another ten years.
- The District made a commitment to support the implementation of Owleus (anti-bullying program) into the Middle Schools for the 2005-2006 school year.
- Many staff members received local, regional, state and national recognition from various professional and community organizations for their dedicated work in educating our youth.
- Recorded 19,179 curriculum based volunteer hours with 772 volunteers in the District. Increased the number of relationships with business in the metropolitan area.
- The District received its first Certificate of Excellence in Financial Reporting award for the 2003-2004 Comprehensive Annual Financial Report (CAFR.)

All of the dedicated work that went in to these initiatives and achievements had one main focus: supporting the learning of our students. For the 2004-2005 school year, our students as a group continued to perform at a high level. Following are a few indicators:

- Students achieved the primary goal of one year of growth for each grade span in reading, math and science as measured on ITBS standardize test.
- 87.2% of 3rd graders, 87% of 5th graders, 86% of 6th graders, 87% of 7th graders, and 81% of 8th graders achieved the proficient level on the NWEA MAP mathematics test.
- On the ITBS and ITED assessments, our students out performed the state and nation the past number of years in the content areas of reading, math, and science.
- Linn-Mar students continue to score higher than both the state and national averages of students that complete the ACT assessment. A score of 20 or higher on the ACT test is a general indicator of potential post-secondary success. The percentage of Linn-Mar students that scored 20 or higher during the 2004-2005 school year was 80%.

Individual students or teams received state and/or national recognition in variety of academic and co-curricular competitions, including Linn-Mar Robotics, Boys Basketball, Pom Pons, girls swimming, boys golf, boys soccer, wrestling and instrumental and vocal music.

Internal Controls

Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

As a recipient of federal, state and local financial assistance, the District is also responsible for ensuring that adequate internal control is in place to ensure compliance with applicable laws and regulations related to those programs. As a part of the District's single audit, described earlier, tests are made to determine the adequacy of internal control, including that portion related to federal awards programs, as well as to determine that the District has complied with applicable laws and regulations.

Budgetary Controls

In addition, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the District's governing body. Activities of the General Fund, Special Revenue Funds, Enterprise Fund, Debt Service Fund and Capital Projects Fund are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the budgeted amount) is established by function and encompasses all fund types. To facilitate the monitoring of the legal provisions, and to provide more complete information to interested parties the District prepares a more detailed budget for each fund. The following information reflects the comprehensive budget for these individual funds rather than demonstrating compliance at the legal level. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

Annually, the District's Board of Education adopts a budget and approves the appropriations for the General Fund, Special Revenue Funds, Enterprise Fund, Debt Service Fund and Capital Projects Fund in accordance with provisions outlined in the Statutes of the State of Iowa. The budget is prepared according to generally accepted accounting principles and lists estimates of revenues and expenditures/expenses.

Cash Management

The District in an effort to be a good manager of public funds is continuously looking for investment opportunities that comply with the District's investment policy. The current goals of the District's investments in order of priority are:

- To provide safety of the principal;
- To maintain the necessary liquidity to match expected liabilities; and
- To obtain a reasonable rate of return.

To maximize investment return, the District invested in money market deposits, savings account and Iowa Schools Joint Investment Trust. Interest revenue of \$149,443 was earned on all investments for the current year ended June 30, 2005, an increase of \$53,244 from Fiscal Year 2004. This increase is mainly due to the rebound of the economy which has increased investment rates.

Risk Management

The District currently covers property, liability and worker's compensation losses with traditional insurance coverage through the Iowa Associations of School Board's group plan carried by Employer's Mutual Insurance Company.

Independent Audit

State law and District policy require an annual audit to be made of the books of account, financial records and transactions of all funds of the District by a Certified Public Accountant selected by the Board of Directors of the District. We have complied with this requirement. The reports of our independent auditor, Hunt, Kain and Associates, P.C., appear in this report. Their audit of the basic financial statements was performed in accordance with the code of Iowa, generally accepted auditing standards and requirements of the 1996 Amendment to the Single Audit Act, and related OMB Circular A-133. The auditor's report on the basic financial statements and combining and individual fund statements is included in the financial section of the report. The auditor's reports related specifically to the single audit are included in a separate section for internal controls and compliance.

Certificate of Excellence in Financial Reporting

The Association of School Business Officials International (ASBO), awards a Certificate of Excellence in Financial Reporting. This certificate is a prestigious national award recognizing conformance with the highest standards for preparation of government financial reports

In order to be eligible to receive the Certificate, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR) whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principals and applicable legal requirements.

This Certificate is valid for a period of one year only. We believe that our current CAFR conforms to the requirements for the Certificate of Excellence and therefore, we are submitting it to ASBO to determine its eligibility for the Certificate.

Acknowledgements

The publication of this report is a major step toward the commitment to professionalism in financial reporting and significantly increases the accountability of the District to the taxpayers. This would not have been possible without the help of several people. We would like to express our appreciation to all District, City and County employees who assisted in the preparation of this report.

Finally, sincere appreciation is extended to the Board of Education, where commitment to excellence begins. It is with great pleasure that our second Comprehensive Annual Financial Report is submitted to the Board of Education.

David L. Nicholson
Business Administrator
Board Secretary/Treasurer

Dr. Kathleen Mulholland
Superintendent of Schools

FLOW CHART

CERTIFICATE OF EXCELLENCE

LINN-MAR COMMUNITY SCHOOL DISTRICT
BOARD OF EDUCATION AND SCHOOL DISTRICT ADMINISTRATION

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2004 Election)		
Jim Green	President	2005
Bob Crawford	Vice President	2006
David Meyer	Board Member	2004
Lorna Richards	Board Member	2004
Ann Stark	Board Member	2005
Helen Romanowsky	Board Member	2005
Erik Miles	Board Member	2006
<u>Board of Education</u>		
(After September 2004 Election)		
Jim Green	President	2005
Bob Crawford	Vice President	2006
Ann Stark	Board Member	2005
Helen Romanowsky	Board Member	2005
Erik Miles	Board Member	2006
Lorna Richards	Board Member	2007
Steve Colton	Board Member	2007
<u>School District Administration</u>		
Dr. Katie Mulholland	Superintendent	2008
David L. Nicholson	Business Administrator District Secretary/Treasurer	2005
Terry Abernathy	Attorney	Indefinite

Financial Section

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Linn-Mar Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Linn-Mar Community School District, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Linn-Mar Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 21, 2005 on our consideration of Linn-Mar Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 20 through 31 and 66 through 67 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Linn-Mar Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 and, on pages 110 and 111, the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
September 21, 2005

Management Discussion and Analysis

This section of the Linn-Mar Community School District's Comprehensive Annual Financial Report presents its "discussion and analysis" of the District's financial performance during the fiscal year ending June 30, 2005. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- The State of Iowa allowed a 2% growth for the 2004-05 school year. The allowable growth along with increased enrollment increased our regular program support revenue by \$1.2 million.
- The General Fund ending undesignated unreserved fund balance increased from \$2.4 million in fiscal year 2004 to \$2.6 million in fiscal year 2005. This equates to a 6.53% solvency ratio.
- Interest rates have started to rebound from a public fund investment rate of .7856% in June, 2004 to a rate of 2.6% in June, 2005, this being responsible for interest earnings in the General Fund to increase from \$51,021 in fiscal year 2004 to \$123,419 in fiscal year 2005.

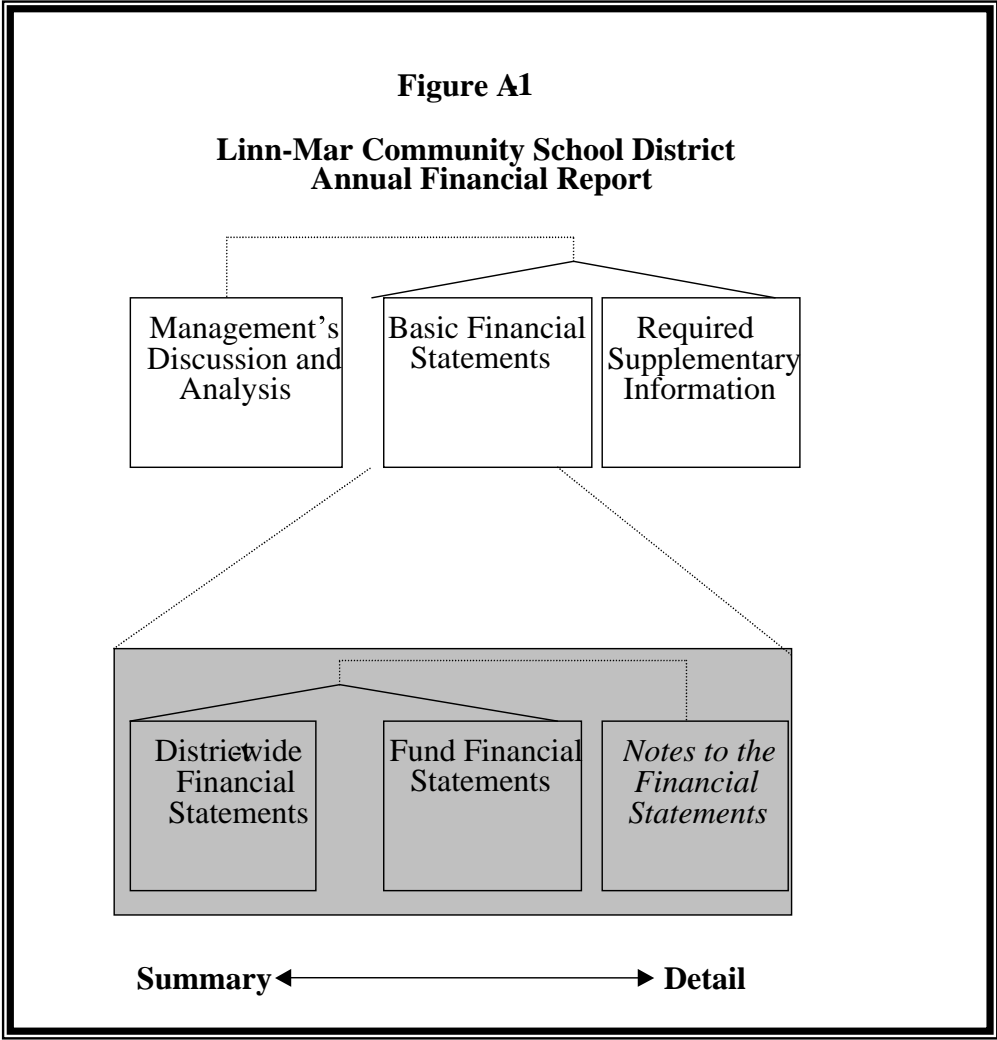
Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide statements.
- The *governmental funds statements* show how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short* and *long-term* financial information about the activities the District operates *like businesses*, such as food services.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.



District-Wide Financial Statements

Figure A-2: Major Features of the District Wide and Fund Financial Statements				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's food service program would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues, (such as federal grants).

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund includes the Agency Fund for the employee's flexible benefits payroll plan.

Financial Analysis of the District as a Whole

There was a significant change in the District's combined net assets as evidenced below in Figure A-3. Both the combined total assets and liabilities experienced a double digit percentage increase. Combined total assets increased 10.21 percent while combined total liabilities increased by 11.87 percent. These large increases are somewhat misleading. Because of favorable market conditions, the district did a cross-over refunding of some outstanding general obligations bonds. The district refunded their 18 million general obligation bonds, dated February 1, 1998, which as of June 30, 2005, had an outstanding principal amount of 12,020,000. The District sold \$10,150,000 of general obligations bonds that will be used to refund \$10,065,000 of the remaining principal, which matures on June 1st of the years 2008 to 2017. Because of the aforementioned refunded general obligation bonds, total combined net assets has approximately \$10.1 million sitting in escrow waiting to pay off the refunded portion and the total combined liabilities has an additional \$10.15 million in long-term obligations. The inflated assets and liabilities due to the refunding will remain on the books until June 30, 2007.

Figure A-3

Condensed Statement of Net Assets (in millions of dollars)

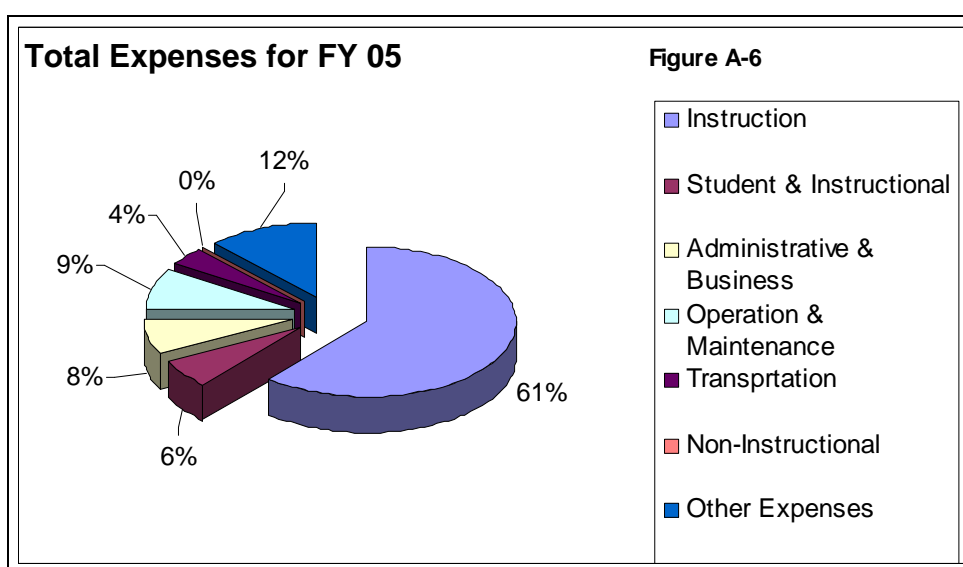
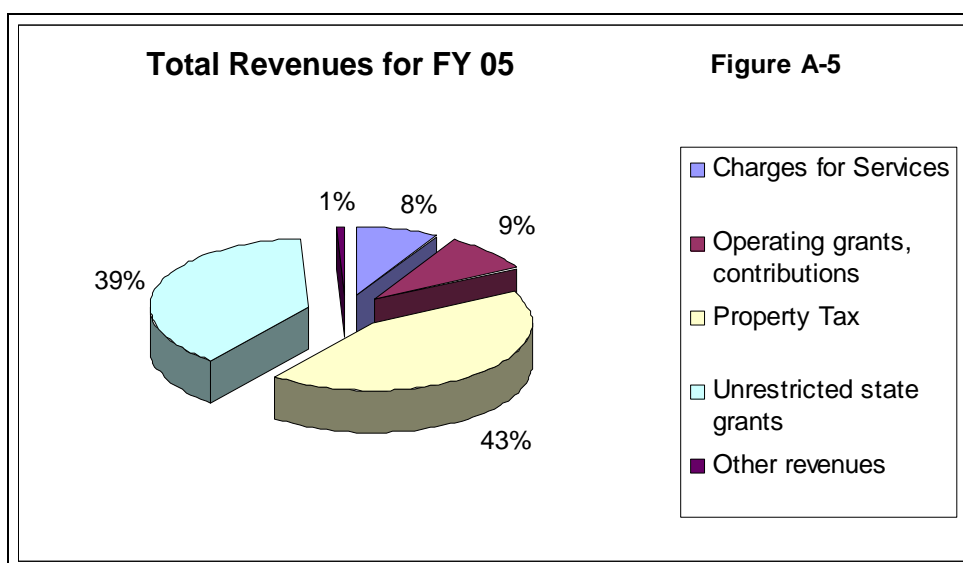
	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2004	2005	2004	2005	2004	2005	2004-2005
Current and other assets	\$29.60	\$38.46	\$.21	\$.23	\$29.81	\$38.69	29.79%
Capital Assets	54.31	54.06	.25	.22	54.56	54.28	-0.49%
Total Assets	83.91	92.52	.46	.45	84.37	92.97	10.21%
Long-term obligations	38.20	46.21			38.2	46.21	20.97%
Other liabilities	24.79	24.27	.11	.12	24.90	24.39	-2.09%
Total Liabilities	62.99	70.48	.11	.12	63.10	70.60	11.87%
Net assets:							
Investment in capital assets, net of related debt	17.77	18.95	.25	.22	18.02	19.17	6.38%
Restricted	1.85	1.54			1.85	1.54	-16.76%
Unrestricted	1.30	1.55	.10	.11	1.40	1.66	18.57%
Total net assets	20.92	22.04	.35	.33	21.27	22.37	5.17%

Note: Amounts reported here may differ slightly from the amounts reported in the basic financial statements due to rounding.

Changes In Net Assets as shown in Figure A-4 below, illustrates that the District as a whole experienced an 8.15 percent increase in operating revenue while experiencing a 6.22 percent increase in expenses. Of the \$1.57 million increase in unrestricted state grants, \$1.40 million was due to the increase in state foundation aid (state foundation aid is the amount of money given by the state to support the cost per pupil to educate our students). The \$1.79 million increase in property taxes was due to an increase of \$678,000 to support the district cost per pupil, \$570,000 to increased enrollment and excess special education cost, and a \$560,000 increase in taxes to support the increased cost of the early retirement incentive and increased cost for district property, general liability and workers compensation insurance. Property taxes and unrestricted state aid account for most of the district's revenue, with each contributing approximately 43 percent and 39 percent respectively of the total dollars raised (See Figure A-5).

The total cost for all programs and services rose 6.22 percent to \$46.3 million. The District's total expenditures are listed in Figure A-6. The chart shows that the majority of the District's expenditures (67%), are devoted to direct Instruction and Student and Instructional services. Another 4 percent is spent on transporting our students safely to and from school and on extra curricular events. The bulk of the 6.22 percent or \$2.71 million is due to negotiated salary and benefit increases with the remainder supporting the additional expenses associated with the hiring of additional staff to support the continued growth of the District.

Figure A-4							
Changes in Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2004	2005	2004	2005	2004	2005	2004-2005
Revenues:							
Program Revenues:							
Charges for Service	\$2.73	\$2.71	\$1.19	\$1.26	\$3.92	\$3.97	1.28%
Operating grants and contributions	3.21	3.86	.39	.46	3.60	4.32	20.00%
Capital grants and contributions	.66	0	.12	0	.78	0	100.00%
General Revenues:							
Property tax	18.62	20.41			18.62	20.41	9.61%
Unrestricted state grants	16.74	18.31			16.74	18.31	9.38%
Other	.16	.38			.16	.38	137.5%
Total Revenues	\$42.12	\$45.67	\$1.70	\$1.72	\$43.82	\$47.39	8.15%
Program expenses:							
Governmental activities:							
Instructional	25.01	27.31			25.01	27.31	9.2%
Support Services	11.71	11.94			11.71	11.94	1.96%
Non-instructional programs	.03	.03	1.62	1.74	1.65	1.77	7.27%
Other expenses	5.22	5.28			5.22	5.28	1.15%
Total expenses	41.97	44.56	1.62	1.74	43.59	46.30	6.22%
Changes in net assets	\$.15	\$1.11	\$.08	\$ (.02)	\$.23	\$1.09	373.91%
Note: Amounts reported here may differ slightly from the amounts reported in the basic financial statements due to rounding.							



Governmental Activities

Revenues for the district's governmental activities increased 8.43 percent, while expenses increased 6.17 percent. The increased revenues can be credited both to a rebound of the economy and efforts of the district to keep a strong financial position:

- Following a year in which the state instituted a 2.25% across the board cut, the economy of the state rebounded enough to justify a 2% increase in allowable growth.
- To be fiscally responsible, the district increased the management fund taxes by \$560,000 to cover the 2003-2004 deficit, increased early separation cost and property, general liability and workers compensation insurance cost.
- Due to the nature of the state funding formula, the district felt it was necessary to increase property taxes by \$570,000 to cover special education deficit and increased cost to educate students not included in the current year funding formula.

The \$2.59 million dollar increase in governmental activity expenditures are mainly associated with the 4.4 percent negotiated salary and benefit packages given to the district employee groups.

Figure A-7 presents the cost of the four District activities: Instruction, Support Services, Non-Instructional Programs and Other Expenditures. The table shows each activity's *net cost*, (total costs less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES (EXPRESSED IN THOUSANDS)				Figure A-7		
	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2004	2005	2004-2005	2004	2005	2004-2005
INSTRUCTION	\$ 25.01	\$ 27.31	9.20%	\$ 20.83	\$ 22.73	9.12%
SUPPORT SERVICES	11.71	11.94	1.96%	11.42	11.50	.70%
NON-INSTRUCTIONAL PROGRAMS	.03	.03	0.00%	.03	.03	0.00%
OTHER EXPENSES	5.22	5.26	.76%	3.09	3.73	20.71%
TOTALS	41.97	44.56	6.17%	35.37	37.99	7.41%

- The cost of all governmental activities this year was \$44.56 million.
- A portion of the cost was financed by the users of the District programs, (\$2.71 million).
- Federal and state governments subsidized certain programs with grants and contributions, (\$3.86 million).
- A majority of the District's costs (\$37.99 million), were financed by District and state taxpayers.
- This portion of governmental activities was financed primarily with \$20.41 million in property taxes, \$18.31 million in unrestricted state aid based in large part on the statewide education aid formula, and investment earnings.

Business-Type Activities

Revenues of the District's business-type activities grew slightly by 1.18 percent to \$1.72 million while expenses grew 7.41 percent to \$1.74 million (Refer to Figure A-4). At the present time, the only fund that comprises the business-type activities is the School Nutrition Fund. The revenues in the School Nutrition Fund can be broken down into three main categories; charges for services, federal and state reimbursements and investment income.

During the year ending June 30, 2005, the District's net assets decreased in the business-type activities by roughly \$22,000.

- The decision by the district not to increase food service prices accounted for most of the decrease in the net assets for the business-type activities. Over the years, by expanding the meal offering significantly more High School students are staying on campus and eating lunch. The number of High School lunches served increased from 80,671 in fiscal year 2004 to 100,637 in fiscal year 2005.
- As of June 30, 2005, the students qualifying for the free and reduced lunch program increased from 11.72 percent to 13.67 percent. This increase contributed to the 17.43 percent increase in operating grants and contributions along with the increased number of meals being served.

Financial Analysis of The District's Funds

At the end of fiscal year 2005, the District's governmental funds reported combined ending fund balances of \$14,428,577, an increase of \$9,425,878 in comparison with the prior year. All but three of the District's governmental funds had more revenues than expenses in 2005. This is virtually opposite of what occurred in fiscal year 2004. Most significantly, the debt service fund had \$10.03 million more in revenue than expenditures. This is due to proceeds of the refunding bonds issued June, 2005, now being held by a fiscal agent. Another fund that had a significant increase in fund balance is the management fund, one of the non major governmental funds. This fund balance increased from a deficit of \$65,838 to a positive position of \$111,925. This was accomplished by the District increasing the management fund dollar levy by approximately \$560,000. The general fund was the last fund that had any significant increase in fund balance. This fund balance increased from \$2,561,145 in fiscal year 2004 to \$2,634,026 in fiscal year 2005. This is due a combination of increased state funding and under spending.

The District's business-type activities fund did fairly well considering revenues only increased 1.18 percent. The financial gains made by the business-type activities fund in prior years allowed the district to hold lunch prices steady and still meet the additional expenditures for the fund. The fund experienced a 7.22% increase in expenditures and only had a reduction of net assets of approximately \$22,000 (See Figure A-4).

General Fund Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared according to U.S. generally accepted accounting principles. Over the course of the year, the District amended its annual operating budget one time to reflect higher than expected costs associated with instruction and supporting activities. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 66 and 67.

Legal Budgetary Highlights

The District's total actual revenues and other financing sources were approximately \$11,697,227 greater than the total budgeted revenues, a variance of roughly 25.47%. The greatest contributor to this variance resulted from the bond sale proceeds in the debt service fund for the refunding of general obligation bonds. The district received approximately \$10.24 million dollars related to the refinancing. Of the \$10.24 million dollars, approximately \$10.1 million is sitting in an escrow account with Wells Fargo Bank waiting until the call date of the old refunded issue; the remaining was used to offset issuance cost.

Over the course of the year, the district amended the operating budget one time. The budget amendment was due to underestimating the costs regarding negotiated settlements and additional staff.

- The Instructional area of the budget was increased to \$26,513,813 from \$26,362,986; a majority of this increase was due to the underestimation of activity fund expenditures and increased staffing.
- The Support Services section of the overall budget was increased to \$13,038,698 from \$12,136,076. The need to increase the budget in this area was mainly due to the added cost for additional staff and increased utility and fuel cost
- The Non-instructional Programs section overall budget was increased to \$1,780,000 from \$1,610,000. The budget increase in this area was due the added staff hours and increased supplies to support the student population growth.
- The Other Expenditures area of the budget was increased slightly from \$7,124,937 to \$7,176,726. This amendment was required because expenses budgeted to be spent in the prior year were spent during the current year.

Actual expenditures exceeded budgeted expenditures in both the instructional and other expenditures functional areas of the budget. The instructional area of the budget was exceeded by \$983,127; this was due to the reclassification of account numbers from the support area to the instructional area that took place after the end of the year. The other expenditures area of the budget was exceeded by \$185,337; this was due to expenditures associated with the construction of the new PreK-8 building that was opened the fall of 2003. The district budgeted to have the remaining expenditures spent during 2003-2004 school year, but a good portion of the expenditures carried over into the current fiscal year.

Capital Asset Administration

The District's investments in capital assets for its governmental and business type activities as of June 30, 2005, amounts to \$54,287,947 (net of accumulated depreciation of \$19,337,258). This investment in capital assets includes land, buildings, vehicles and equipment (See Figure A-8). This amount represents a net decrease of \$276,519, or .51 percent from last year.

The biggest change in comparing fiscal year 2005 with the previous year is in the reclassification of capital assets from construction in progress to buildings and improvements other than buildings. The reclassification reduced construction in progress by \$12.1 million and increased buildings by \$10.8 million and improvements other than buildings by \$1.3 million, most of which is due to the completion of the new PreK-8 building (See Figure A-8).

Figure A-8

CAPITAL ASSETS, NET OF DEPRECIATION
(EXPRESSED IN THOUSANDS)

	GOVERNMENTAL ACTIVITIES		BUSINESS- TYPE ACTIVITIES		TOTAL SCHOOL DISTRICT		TOTAL CHANGE
	2004	2005	2004	2005	2004	2005	2004- 2005
LAND	\$ 1,123	\$ 1,123	-	-	\$ 1,123	\$ 1,123	0.00%
CONSTRUCTION IN PROGRESS	12,820	774	-	-	12,820	774	-93.96%
BUILDINGS	37,363	48,172	-	-	37,363	48,172	28.85%
IMPROVEMENTS OTHER THAN BUILDINGS	541	1,863	-	-	541	1,863	244.36%
FURNITURE AND EQUIPMENT	2,466	2,133	251	223	2,717	2,356	-13.29%
TOTALS	\$ 54,313	\$ 54,065	\$ 251	\$ 223	\$ 54,564	\$ 54,288	-.51%

More detailed information on the District's capital asset activities is available in note 5 to the basic financial statements.

Long-Term Liabilities

At year-end, the District had \$46.21 million in general obligation bonds and other long-term liabilities outstanding. This represents an increase of \$8.01 million over the previous fiscal year as can be seen in Figure A-9 below.

Figure A-9

OUTSTANDING
LONG-TERM
OBLIGATIONS
(EXPRESSED IN THOUSANDS)

	TOTAL SCHOOL DISTRICT		TOTAL CHANGE
	2004	2005	2004- 2005
GENERAL OBLIGATION BONDS	37,080	45,265	22.07%
EARLY RETIREMENT	779	577	-25.93%
COMPENSATED ABSENCES	338	366	8.28%
	\$ 38,197	\$ 46,208	-20.9%

The increase to the debt schedule is due mainly to the combination of the retirement of \$1.965 million of outstanding general obligation bonds and the addition of \$10.15 million of general obligation bonds for the cross-over refunding of \$10.065 million of old bonds. The refinancing of the general obligation bond will reduce its debt service payments by approximately \$396,000 over the next twelve years, for an economic gain of approximately \$300,000.

Further information on the District's long-term liabilities is available in note 6 to the basic financial statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of three existing circumstances that could significantly affect its financial health in the future:

- Fiscal year 2006 marks the first year since the 2001-2002 school year that the District's health insurance plan had less than a double digit percentage increase. Health insurance premiums for all employees only increased 3% over the previous year. This small increase in insurance cost will allow our employees to see an actual increase in their take home pay from the previous year.
- It became recognized that the state economy had really rebounded. Not only had the state upheld the 4% allowable growth stated in the law, they appropriated an additional \$16.625 million for additional professional development. For Linn-Mar Schools, that equates to roughly \$162,000.
- The District has had a steady increase in student enrollment and anticipates that upward trend to continue. The growth will require the District to add another elementary in the very near future.
- The District's patrons passed a crucial vote in September 2005, the passage of the Instructional Support Levy for another ten years. For the 2005-2006 school year, the Instructional Support Levy will generate roughly \$2.1 million in property tax revenue and \$209,000 in state aid. The money raised from this levy will be used for general fund purposes, including but not limited to, technology staff and equipment, curriculum and instructional materials, and our co-curricular and extracurricular programs.
- In July, the District was notified by the county assessor that our biggest tax payer in our district filed and won an assessment appeal for the 2001-2004 tax years. This appeal will cost the District roughly \$380,000 of property tax revenues for the various governmental activities funds. The whole \$380,000 dollars will be deducted from the 2005-2006 collected property taxes. This assessment appeal award is causing the district to carefully monitor any other appeals that may be pending.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact David Nicholson., Business Administrator, Linn-Mar Community School District, 3333 North 10th Street, Marion, Iowa 52302.

This page intentionally left blank

Basic Financial Statements

LINN-MAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 8,091,383	\$ 181,888	\$ 8,273,271
Investments held by fiscal agent	10,091,120	-	10,091,120
Receivables:			
Property tax:			
Succeeding year	19,603,000	-	19,603,000
Accrued interest	277	-	277
Accounts	12,913	6,640	19,553
Due from other governments	546,387	-	546,387
Surplus notes receivable (note 8)	111,397	-	111,397
Inventories	-	38,032	38,032
Capital assets, net of accumulated depreciation (note 5)	54,065,280	222,667	54,287,947
Total assets	92,521,757	449,227	92,970,984
Liabilities			
Accounts payable	512,149	10	512,159
Salaries and benefits payable	3,840,687	65,801	3,906,488
Due to other governments	15,465	-	15,465
Accrued interest payable	247,877	-	247,877
Deferred revenue:			
Succeeding year property tax	19,603,000	-	19,603,000
Other	56,599	50,824	107,423
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	270,992	-	270,992
Bonds payable	2,065,000	-	2,065,000
Compensated absences	365,800	-	365,800
Portion due after one year:			
Early retirement	306,088	-	306,088
Bonds payable	43,200,000	-	43,200,000
Total liabilities	70,483,657	116,635	70,600,292

LINN-MAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 18,950,280	\$ 222,667	\$ 19,172,947
Restricted for:			
Physical plant and equipment levy	1,126,860	-	1,126,860
Other special revenue purposes	417,534	-	417,534
Unrestricted	1,543,426	109,925	1,653,351
Total net assets	\$ <u>22,038,100</u>	\$ <u>332,592</u>	\$ <u>22,370,692</u>

See notes to the basic financial statements.

LINN-MAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 19,081,962	\$ 1,020,967	\$ 1,099,217	\$ -
Special instruction	5,164,314	510,185	796,172	-
Other instruction	3,059,878	1,052,645	96,732	-
	<u>27,306,154</u>	<u>2,583,797</u>	<u>1,992,121</u>	<u>-</u>
Support services:				
Student services	1,223,482	-	-	-
Instructional staff services	1,605,511	23,276	203,322	-
Administration services	3,378,697	63,823	2,500	-
Operation and maintenance of plant services	3,846,824	20,831	-	-
Transportation services	1,888,372	10,082	119,458	-
	<u>11,942,886</u>	<u>118,012</u>	<u>325,280</u>	<u>-</u>
Non-instructional programs	<u>35,199</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	547,102	2,222	22,230	-
Long-term debt interest and fiscal charges	1,841,270	-	-	-
AEA flowthrough	1,522,333	-	1,522,333	-
Depreciation (unallocated) *	1,365,187	-	-	-
	<u>5,275,892</u>	<u>2,222</u>	<u>1,544,563</u>	<u>-</u>
Total governmental activities	44,560,131	2,704,031	3,861,964	-
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>1,737,249</u>	<u>1,255,687</u>	<u>457,601</u>	<u>-</u>
Total	\$ 46,297,380	\$ 3,959,718	\$ 4,319,565	\$ -

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (16,961,778)	\$ -	\$ (16,961,778)
(3,857,957)	-	(3,857,957)
(1,910,501)	-	(1,910,501)
<u>(22,730,236)</u>	<u>-</u>	<u>(22,730,236)</u>
(1,223,482)	-	(1,223,482)
(1,378,913)	-	(1,378,913)
(3,312,374)	-	(3,312,374)
(3,825,993)	-	(3,825,993)
(1,758,832)	-	(1,758,832)
<u>(11,499,594)</u>	<u>-</u>	<u>(11,499,594)</u>
<u>(35,199)</u>	<u>-</u>	<u>(35,199)</u>
(522,650)	-	(522,650)
(1,841,270)	-	(1,841,270)
-	-	-
(1,365,187)	-	(1,365,187)
<u>(3,729,107)</u>	<u>-</u>	<u>(3,729,107)</u>
(37,994,136)	-	(37,994,136)
-	(23,961)	(23,961)
<u>(37,994,136)</u>	<u>(23,961)</u>	<u>(38,018,097)</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
15,597,005	-	15,597,005
3,618,618	-	3,618,618
1,197,792	-	1,197,792
18,313,369	-	18,313,369
147,868	1,575	149,443
232,652	-	232,652
39,107,304	1,575	39,108,879
1,113,168	(22,386)	1,090,782
20,924,932	354,978	21,279,910
<u>\$ 22,038,100</u>	<u>\$ 332,592</u>	<u>\$ 22,370,692</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<hr/>				
Assets				
Cash and pooled investments	\$ 6,293,459	\$ 47,112	\$ 1,750,812	\$ 8,091,383
Investments held by fiscal agent	-	10,091,120	-	10,091,120
Receivables:				
Property tax:				
Succeeding year	14,066,000	3,291,000	2,246,000	19,603,000
Accrued interest	277	-	-	277
Interfund receivable (note 3)	-	-	46,291	46,291
Accounts	10,350	-	2,563	12,913
Surplus notes receivable (note 8)	111,397	-	-	111,397
Due from other governments	546,387	-	-	546,387
	<hr/>			
Total assets	\$ 21,027,870	\$ 13,429,232	\$ 4,045,666	\$ 38,502,768
	<hr/>			
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 374,744	\$ -	\$ 137,405	\$ 512,149
Salaries and benefits payable	3,834,745	-	5,942	3,840,687
Due to other governments	15,465	-	-	15,465
Interfund payable (note 3)	46,291	-	-	46,291
Deferred revenue:				
Succeeding year property tax	14,066,000	3,291,000	2,246,000	19,603,000
Other	56,599	-	-	56,599
Total liabilities	18,393,844	3,291,000	2,389,347	24,074,191
	<hr/>			
Fund balance:				
Reserved for:				
Surplus notes receivable	111,397	-	-	111,397
Debt service	-	10,138,232	-	10,138,232
Unreserved:				
Reported in nonmajor Special				
Revenue Funds	-	-	1,656,319	1,656,319
Undesignated	2,522,629	-	-	2,522,629
Total fund balances	2,634,026	10,138,232	1,656,319	14,428,577
	<hr/>			
Total liabilities and fund balances	\$ 21,027,870	\$ 13,429,232	\$ 4,045,666	\$ 38,502,768
	<hr/>			

See notes to the basic financial statements.

LINN-MAR COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2005

Total fund balances of governmental funds	\$ 14,428,577
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	54,065,280
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(247,877)
Long-term liabilities, including early retirement, bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(46,207,880)</u>
Net assets of governmental activities	<u>\$ 22,038,100</u>

See notes to the basic financial statements.

LINN-MAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General	Debt Service	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 14,544,873	\$ 3,616,898	\$ 2,241,881	\$ 20,403,652
Tuition	1,253,420	-	-	1,253,420
Other	875,711	9,184	1,160,683	2,045,578
Intermediate sources	7,455	-	-	7,455
State sources	20,984,741	1,720	14,635	21,001,096
Federal sources	962,098	-	-	962,098
Total revenues	38,628,298	3,627,802	3,417,199	45,673,299
Expenditures:				
Current:				
Instruction:				
Regular instruction	18,944,281	-	312,284	19,256,565
Special instruction	5,177,116	-	-	5,177,116
Other instruction	2,157,065	-	906,194	3,063,259
	26,278,462	-	1,218,478	27,496,940
Support services:				
Student services	1,234,003	-	16,162	1,250,165
Instructional staff services	1,571,569	-	37,957	1,609,526
Administration services	3,355,855	-	49,086	3,404,941
Operation and maintenance of plant services	3,184,024	-	635,217	3,819,241
Transportation services	1,366,426	-	143,128	1,509,554
	10,711,877	-	881,550	11,593,427
Non-instructional programs	-	-	35,199	35,199
Other expenditures:				
Facilities acquisition	-	-	1,997,781	1,997,781
Long term debt:				
Principal	-	1,965,000	-	1,965,000
Interest and fiscal charges	-	1,876,949	-	1,876,949
AEA flowthrough	1,522,333	-	-	1,522,333
	1,522,333	3,841,949	1,997,781	7,362,063
Total expenditures	38,512,672	3,841,949	4,133,008	46,487,629
Excess (deficiency) of revenues over (under) expenditures	115,626	(214,147)	(715,809)	(814,330)

LINN-MAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General	Debt Service	Nonmajor Governmental Funds	Total
Other financing sources (uses):				
Interfund transfers in	\$ -	\$ -	\$ 42,745	\$ 42,745
Interfund transfers out	(42,745)	-	-	(42,745)
General obligation refunding bonds issued (note 6)	-	10,240,208	-	10,240,208
Total other financing sources (uses)	<u>(42,745)</u>	<u>10,240,208</u>	<u>42,745</u>	<u>10,240,208</u>
Net change in fund balances	72,881	10,026,061	(673,064)	9,425,878
Fund balances beginning of year	<u>2,561,145</u>	<u>112,171</u>	<u>2,329,383</u>	<u>5,002,699</u>
Fund balances end of year	<u>\$ 2,634,026</u>	<u>\$ 10,138,232</u>	<u>\$ 1,656,319</u>	<u>\$ 14,428,577</u>

See notes to the basic financial statements.

LINN-MAR COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ 9,425,878

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 2,096,722	
Depreciation expense	<u>(2,344,283)</u>	(247,561)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 1,965,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 35,679

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Early retirement	201,798	
Compensated absences	<u>(27,418)</u>	174,380

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but increase long-term liabilities in the statement of net assets and do not affect the statement of activities. (10,240,208)

Change in net assets of governmental activities \$ 1,113,168

See notes to the basic financial statements.

LINN-MAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2005

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 181,888
Accounts receivable	6,640
Inventories	38,032
Capital assets, net of accumulated depreciation (note 5)	<u>222,667</u>
Total assets	<u>449,227</u>
Liabilities	
Accounts payable	10
Salaries and benefits payable	65,801
Deferred revenue:	
Other	<u>50,824</u>
Total liabilities	<u>116,635</u>
Net Assets	
Invested in capital assets, net of related debt	222,667
Unrestricted	<u>109,925</u>
Total net assets	<u>\$ 332,592</u>

See notes to the basic financial statements.

LINN-MAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2005

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>1,255,687</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	712,813
Benefits	94,102
Purchased services	31,218
Supplies	863,710
Depreciation	35,191
Other	215
	<u>1,737,249</u>
Operating loss	<u>(481,562)</u>
Non-operating revenues:	
Interest on investments	1,575
State sources	21,511
Federal sources	436,090
Total non-operating revenues	<u>459,176</u>
Change in net assets	(22,386)
Net assets beginning of year	<u>354,978</u>
Net assets end of year	\$ <u><u>332,592</u></u>

See notes to the basic financial statements.

LINN-MAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2005

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 1,246,179
Cash received from miscellaneous operating activities	12,269
Cash payments to employees for services	(805,269)
Cash payments to suppliers for goods or services	<u>(821,238)</u>
Net cash used in operating activities	<u>(368,059)</u>
Cash flows from non-capital financing activities:	
State grants received	21,511
Federal grants received	<u>357,942</u>
Net cash provided by non-capital financing activities	<u>379,453</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(6,233)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,575</u>
Net increase in cash and cash equivalents	6,736
Cash and cash equivalents beginning of year	<u>175,152</u>
Cash and cash equivalents end of year	<u>\$ 181,888</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2005

	<u>School Nutrition</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (481,562)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	35,191
Commodities used	78,148
(Increase) in accounts receivable	(6,550)
(Increase) in inventories	(3,810)
(Decrease) in accounts payable	(433)
Increase in salaries and benefits payable	1,646
Increase in deferred revenues	<u>9,311</u>
Net cash used in operating activities	<u>\$ (368,059)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$78,148 of federal commodities.

See notes to the basic financial statements.

LINN-MAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2005

	<u>Agency</u>
Assets:	
Cash and pooled investments	\$ 31,844
Accounts receivable	<u>345</u>
Total assets	\$ <u><u>32,189</u></u>
Liabilities:	
Flex benefits payable	\$ <u><u>32,189</u></u>

See notes to the basic financial statements.

LINN-MAR COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 1. Summary of Significant Accounting Policies

Linn-Mar Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Marion, Iowa, portions of the Cities of Robins and Cedar Rapids, Iowa, and portions of the agricultural territory in Linn County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Linn-Mar Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Linn-Mar Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Linn County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

LINN-MAR COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary fund is the Enterprise, School Nutrition Fund, which is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

LINN-MAR COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

LINN-MAR COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

LINN-MAR COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	1,000

Land is a non-depreciable capital asset because the land has a perpetual life and is not considered to be consumed over the years of ownership. Other classes of capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unspent grant proceeds, and unearned meal revenues.

LINN-MAR COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, expenditures in the instruction and other expenditures functional areas exceeded the amounts budgeted.

Note 2. Cash and Pooled Investments

As of June 30, 2005, the carrying amount of the District's bank deposits and pooled investments totaled \$18,396,235 with bank balances of \$19,561,180. These amounts are included in the cash and pooled investments and investments held by fiscal agent lines on the District-wide statement of net assets, the governmental funds balance sheet, the proprietary funds statement of net assets and the fiduciary funds statement of assets and liabilities. Of the bank balance, \$100,000 was covered by Federal depository insurance and \$19,461,180 was collateralized by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

LINN-MAR COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 2. Cash and Pooled Investments (continued)

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Details of the District's investments at June 30, 2005, are as follows:

	<u>Value</u>
U.S. Treasury Notes	\$ 10,091,120
Iowa Schools Joint Investment Trust, Diversified Portfolio	<u>5,839,504</u>
Total	<u><u>\$ 15,930,624</u></u>

The investments in the Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in U.S. Treasury notes are stated at fair value.

Interest rate risk – The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit Risk – The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service. The investments in U.S. Treasury notes are not subject to credit rating.

Note 3. Interfund Receivables/Payables

The details of interfund receivables and payables at June 30, 2005, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Amounts due to transactions between funds:		
Special Revenue Fund, Student Activity	General	\$ 3,546
Special Revenue Fund, Physical Plant and Equipment Levy	General	<u>42,745</u>
		<u><u>\$ 46,291</u></u>

These amounts have been eliminated from the Statement of Net Assets.

LINN-MAR COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue, Physical Plant and Equipment Levy	General	\$ <u>42,745</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,123,249	\$ -	\$ -	\$ 1,123,249
Construction in progress	<u>12,819,649</u>	<u>1,156,304</u>	<u>13,201,738</u>	<u>774,215</u>
Total capital assets not being depreciated	<u>13,942,898</u>	<u>1,156,304</u>	<u>13,201,738</u>	<u>1,897,464</u>
Capital assets being depreciated:				
Buildings	48,613,596	12,071,026	-	60,684,622
Improvements other than buildings	803,180	1,425,087	-	2,228,267
Furniture and equipment	<u>7,816,708</u>	<u>646,043</u>	<u>115,728</u>	<u>8,347,023</u>
Total capital assets being depreciated	<u>57,233,484</u>	<u>14,142,156</u>	<u>115,728</u>	<u>71,259,912</u>
Less accumulated depreciation for:				
Buildings	11,250,868	1,261,705	-	12,512,573
Improvements other than buildings	261,860	103,482	-	365,342
Furniture and equipment	<u>5,350,813</u>	<u>979,096</u>	<u>115,728</u>	<u>6,214,181</u>
Total accumulated depreciation	<u>16,863,541</u>	<u>2,344,283</u>	<u>115,728</u>	<u>19,092,096</u>
Total capital assets being depreciated, net	<u>40,369,943</u>	<u>11,797,873</u>	<u>-</u>	<u>52,167,816</u>
Governmental activities capital assets, net	<u>\$ 54,312,841</u>	<u>\$ 12,954,177</u>	<u>\$ 13,201,738</u>	<u>\$ 54,065,280</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 461,596	\$ 6,233	\$ -	\$ 467,829
Less accumulated depreciation	209,971	35,191	-	245,162
Business-type activities capital assets, net	<u>\$ 251,625</u>	<u>\$ (28,958)</u>	<u>\$ -</u>	<u>\$ 222,667</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular	\$ 198,216
Special	50,895
Other	13,442

Support services:

Administration	18,839
Operation and maintenance of plant services	34,560
Transportation	663,144
	<u>979,096</u>

Unallocated depreciation	<u>1,365,187</u>
--------------------------	------------------

Total governmental activities depreciation expense	<u>\$ 2,344,283</u>
--	---------------------

Business-type activities:

Food service operations	<u>\$ 35,191</u>
-------------------------	------------------

LINN-MAR COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Early Retirement	General Obligation Bonds	Compensated Absences	Total
Balance beginning of year	\$ 778,878	\$ 37,080,000	\$ 338,382	\$ 38,197,260
Additions	103,920	10,150,000	365,800	10,619,720
Reductions	305,718	1,965,000	338,382	2,609,100
Balance end of year	<u>\$ 577,080</u>	<u>\$ 45,265,000</u>	<u>\$ 365,800</u>	<u>\$ 46,207,880</u>
Due within one year	<u>\$ 270,992</u>	<u>\$ 2,065,000</u>	<u>\$ 365,800</u>	<u>\$ 2,701,792</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed twenty years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay, multiplied by a given percentage rate based on the employee's age at the end of the last active year. Employees may also elect to continue participation in the District's group health insurance plan until age 65 or until insurance is acquired elsewhere. This participation is at the employee's expense with the exception that any unused personal days or separation compensation may be used to cover the cost of premiums. Early retirement benefits paid during the year ended June 30, 2005, totaled \$305,718. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

LINN-MAR COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 6. Long-Term Liabilities (continued)

Bonds Payable

On May 1, 2005, the District issued \$10,150,000 of general obligation school refunding bonds with interest rates from 3.0% to 4.5% to crossover refund the February 1, 1998 general obligation bonds with interest rates from 4.5% to 5.0%. The net proceeds from the issuance of the May 1, 2005 refunding bonds of \$10,240,208 were placed in escrow and will be used to refund the February 1, 1998 bonds on their call date of June 1, 2007. This is a crossover refunding agreement and does not meet the requirements of a debt defeasance. Therefore, the February 1, 1998 bonds will remain as a long-term liability of the District until the call date of June 1, 2007.

As a result of the crossover refunding, the District reduced its total debt service requirements by \$396,425, which resulted in a net present value economic gain of \$300,632.

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of February 1, 1998			Bond Issue of April 1, 1998		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2006	4.500 %	\$ 950,000	\$ 570,090	4.400 %	\$ 600,000	\$ 263,498
2007	4.500	1,005,000	527,340	4.450	625,000	237,097
2008	4.500	1,055,000	-	4.500	650,000	209,285
2009	4.600	1,110,000	-	4.625	680,000	180,035
2010	4.700	1,170,000	-	4.700	715,000	148,585
2011-2015	4.800-5.000	5,105,000	-	4.800-5.000	2,345,000	235,200
2016-2020	5.000	1,625,000	-	-	-	-
2021	-	-	-	-	-	-
		<u>\$ 12,020,000</u>	<u>\$ 1,097,430</u>		<u>\$ 5,615,000</u>	<u>\$ 1,273,700</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 6. Long-Term Liabilities (continued)

Bonds Payable (continued)

Year Ending June 30,	Bond Issue of March 1, 1999			Bond Issue of June 1, 2001		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2006	4.000 %	\$ 70,000	\$ 315,193	4.050 %	- \$	\$ 470,558
2007	4.000	70,000	312,392	4.050	450,000	470,558
2008	4.100	75,000	309,593	4.150	510,000	452,332
2009	4.200	75,000	306,517	4.250	530,000	431,168
2010	4.300	80,000	303,368	4.400	550,000	408,642
2011-2015	4.400-4.500	3,900,000	1,365,942	4.600-4.750	3,130,000	1,644,312
2016-2020	4.550	2,765,000	171,308	4.800-5.000	3,925,000	827,232
2021	-	-	-	5.000	905,000	45,250
		<u>\$ 7,035,000</u>	<u>\$ 3,084,313</u>		<u>\$ 10,000,000</u>	<u>\$ 4,750,052</u>

Year Ending June 30,	Bond Issue of March 1, 2002			Bond Issue of May 1, 2005		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2006	3.150 %	\$ 445,000	\$ 14,018	- %	- \$	\$ 413,007
2007	-	-	-	-	-	381,238
2008	-	-	-	3.000	1,115,000	381,238
2009	-	-	-	3.250	1,155,000	347,787
2010	-	-	-	3.500	1,205,000	310,250
2011-2015	-	-	-	3.750-4.000	5,110,000	882,075
2016-2020	-	-	-	4.000-4.500	1,565,000	104,600
2021	-	-	-	-	-	-
		<u>\$ 445,000</u>	<u>\$ 14,018</u>		<u>\$ 10,150,000</u>	<u>\$ 2,820,195</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 6. Long-Term Liabilities (continued)

Bonds Payable (continued)

Year Ending June 30,	Total	
	Principal	Interest
2006	\$ 2,065,000	\$ 2,046,364
2007	2,150,000	1,928,625
2008	3,405,000	1,352,448
2009	3,550,000	1,265,507
2010	3,720,000	1,170,845
2011-2015	19,590,000	4,127,529
2016-2020	9,880,000	1,103,140
2021	905,000	45,250
	<u>\$ 45,265,000</u>	<u>\$ 13,039,708</u>

During the year ended June 30, 2005, the district retired \$1,965,000 of bonds.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$1,381,968, \$1,282,740, and \$1,250,480 respectively, equal to the required contributions for each year.

Note 8. Risk Management

Self-Insurance

Health – Six public education entities are currently participating in a 28E organization which was established in 1990 to provide a self-insurance plan for employee medical coverage. The Districts contribute to the self-insurance plan an amount equal to 125% of Blue Cross/Blue Shield projections of the rating period. The fund re-insures for stop-loss insurance for claims in excess of \$100,000 per year per individual. An insurance carrier is paid an administrative fee to process the claims.

During the year ended June 30, 2004, the organization issued surplus notes to all members to increase the organization's ability to pay current obligations. The notes will be repaid to the District at a 1.5% interest rate per annum. The notes have no formal amortization schedule but should be repaid by June 30, 2006.

LINN-MAR COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 8. Risk Management (continued)

Self-Insurance (continued)

The total premium paid into the plan by all six members from July 1, 2003 to June 30, 2004 (latest available audited financial statements) was \$22,719,994, of which \$2,435,660 was paid by Linn-Mar Community School District.

Linn-Mar Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. There has been no significant reduction in insurance coverage from the prior year. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,522,333 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction Commitments

The District entered into construction contracts totaling \$720,353, including change orders, for various District projects. In addition, the District had carryover construction commitments from the prior year totaling \$817,486, including change orders. At June 30, 2005, \$1,407,899 of the contracts were completed and paid, \$17,642 was recorded in accounts payable, and the remaining amounts of the contracts will be paid as work on the projects progresses.

Note 11. Contingencies

The District is currently involved in a construction payment dispute with a general contractor and subcontractor. The outcome of this dispute cannot be determined at this time. The District has no insurance coverage for this type of litigation.

Note 12. Subsequent Event

On July 1, 2005, the District issued \$9,225,000 in general obligation school refunding bonds with interest rates from 3.250% to 4.125%. The proceeds will be used to crossover refund the June 1, 2001 general obligation school bonds, with interest rates from 4.05% to 5.00%, on the call date of June 1, 2008.

This page intentionally left blank

Required Supplementary Information

LINN-MAR COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund Required Supplementary Information Year Ended June 30, 2005

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 23,716,214	\$ 1,257,262	\$ 24,973,476	\$ 24,044,237	\$ 24,044,237	\$ 929,239
Intermediate sources	7,455	-	7,455	5,500	5,500	1,955
State sources	20,987,532	21,511	21,009,043	20,964,507	20,964,507	44,536
Federal sources	962,098	436,090	1,398,188	915,899	915,899	482,289
Total revenues	45,673,299	1,714,863	47,388,162	45,930,143	45,930,143	1,458,019
EXPENDITURES/EXPENSES:						
Instruction	27,496,940	-	27,496,940	26,362,986	26,513,813	(983,127)
Support services	11,593,427	-	11,593,427	12,136,076	13,038,698	1,445,271
Non-instructional programs	35,199	1,737,249	1,772,448	1,610,000	1,780,000	7,552
Other expenditures	7,362,063	-	7,362,063	7,124,937	7,176,726	(185,337)
Total expenditures/expenses	46,487,629	1,737,249	48,224,878	47,233,999	48,509,237	284,359
Excess (deficiency) of revenues over (under) expenditures/ expenses	(814,330)	(22,386)	(836,716)	(1,303,856)	(2,579,094)	1,742,378
Other financing sources, net	10,240,208	-	10,240,208	1,000	1,000	10,239,208
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	9,425,878	(22,386)	9,403,492	(1,302,856)	(2,578,094)	11,981,586
Balance beginning of year	5,002,699	354,978	5,357,677	3,891,065	3,891,065	1,466,612
Balance end of year	\$ 14,428,577	\$ 332,592	\$ 14,761,169	\$ 2,588,209	\$ 1,312,971	\$ 13,448,198

See accompanying independent auditor's report.

LINN-MAR COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared according to U.S. generally accepted accounting principles. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$1,275,238.

During the year ended June 30, 2005, expenditures in the instruction and other expenditures functional areas exceeded the amounts budgeted.

This page intentionally left blank

Other Supplementary Information

LINN-MAR COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

	Special Revenue				
	Management Levy	Student Activity	Public Education and Recreation Levy	Physical Plant and Equipment Levy	Total
Assets					
Cash and pooled investments	\$ 111,925	\$ 139,461	\$ 284,109	\$ 1,215,317	\$ 1,750,812
Receivables:					
Property tax:					
Succeeding year	994,000	-	146,000	1,106,000	2,246,000
Interfund receivable	-	3,546	-	42,745	46,291
Accounts	-	2,554	9	-	2,563
Total assets	<u>\$ 1,105,925</u>	<u>\$ 145,561</u>	<u>\$ 430,118</u>	<u>\$ 2,364,062</u>	<u>\$ 4,045,666</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	\$ 5,828	\$ 375	\$ 131,202	\$ 137,405
Salaries and benefits payable	-	3,355	2,587	-	5,942
Deferred revenue:					
Succeeding year property tax	994,000	-	146,000	1,106,000	2,246,000
Total liabilities	<u>994,000</u>	<u>9,183</u>	<u>148,962</u>	<u>1,237,202</u>	<u>2,389,347</u>
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	<u>111,925</u>	<u>136,378</u>	<u>281,156</u>	<u>1,126,860</u>	<u>1,656,319</u>
Total liabilities and fund equity	<u>\$ 1,105,925</u>	<u>\$ 145,561</u>	<u>\$ 430,118</u>	<u>\$ 2,364,062</u>	<u>\$ 4,045,666</u>

See accompanying independent auditor's report.

This page intentionally left blank

LINN-MAR COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2005

	Special Revenue			
	Management Levy	Student Activity	Public Education and Recreation Levy	Physical Plant and Equipment Levy
Revenues:				
Local sources:				
Local tax	\$ 1,044,659	\$ -	\$ 34,869	\$ 1,162,353
Other	13,917	907,476	3,988	17,913
State sources	501	-	17	14,117
Total revenues	<u>1,059,077</u>	<u>907,476</u>	<u>38,874</u>	<u>1,194,383</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	239,248	-	-	73,036
Other instruction	-	906,194	-	-
Support services:				
Student services	16,162	-	-	-
Instructional staff services	12,604	-	-	25,353
Administration services	41,562	-	-	7,524
Operation and maintenance of plant services	571,738	-	-	63,479
Transportation services	-	-	-	143,128
Non instructional programs	-	-	35,199	-
Other expenditures:				
Facilities acquisition	-	-	145,384	1,102,166
Total expenditures	<u>881,314</u>	<u>906,194</u>	<u>180,583</u>	<u>1,414,686</u>
Excess (deficiency) of revenues over (under) expenditures	177,763	1,282	(141,709)	(220,303)
Other financing sources (uses):				
Interfund transfers in	-	-	-	42,745

	<u>Capital Projects</u>	<u>Total</u>
\$	-	\$ 2,241,881
	217,389	1,160,683
	-	14,635
	<u>217,389</u>	<u>3,417,199</u>
	-	312,284
	-	906,194
	-	16,162
	-	37,957
	-	49,086
	-	635,217
	-	143,128
	-	35,199
	<u>750,231</u>	<u>1,997,781</u>
	<u>750,231</u>	<u>4,133,008</u>
	(532,842)	(715,809)
	<u>-</u>	<u>42,745</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2005

	Special Revenue			
	Management	Student	Public Education and Recreation	Physical Plant and Equipment
	Levy	Activity	Levy	Levy
Excess (deficiency) of revenues over (under) expenditures and other financing uses	\$ 177,763	\$ 1,282	\$ (141,709)	\$ (177,558)
Fund balances beginning of year	(65,838)	135,096	422,865	1,304,418
Fund balances end of year	<u>\$ 111,925</u>	<u>\$ 136,378</u>	<u>\$ 281,156</u>	<u>\$ 1,126,860</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ (532,842)	\$ (673,064)
<u>532,842</u>	<u>2,329,383</u>
\$ <u><u>-</u></u>	\$ <u><u>1,656,319</u></u>

LINN-MAR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
District-Wide Activities	\$ 6,764	\$ 2,199	\$ 7,718	\$ 1,245
HS Athletics	17,028	304,137	292,283	28,882
HS Activities	69,263	490,768	508,817	51,214
JH Activities	43,785	96,681	96,070	44,396
Middle School Athletics	(12,655)	3,183	(9,472)	-
Elementary District-Wide Activities	2,641	-	-	2,641
Indian Creek Elementary	1,651	3,655	4,253	1,053
Novak Elementary	1,243	125	404	964
Bowman Woods Elementary	2,989	6,728	6,121	3,596
Activity Administration	2,387	-	-	2,387
Total	\$ <u>135,096</u>	\$ <u>907,476</u>	\$ <u>906,194</u>	\$ <u>136,378</u>

See accompanying independent auditor's report.

LINN-MAR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2005

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 36,658	\$ 324,883	\$ 329,697	\$ 31,844
Accounts receivable	-	345	-	345
Total assets	<u>\$ 36,658</u>	<u>\$ 325,228</u>	<u>\$ 329,697</u>	<u>\$ 32,189</u>
Liabilities				
Flex benefits payable	<u>\$ 36,658</u>	<u>\$ 325,228</u>	<u>\$ 329,697</u>	<u>\$ 32,189</u>

See accompanying independent auditor's report.

LINN-MAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 20,403,652	\$ 18,611,587	\$ 17,570,145	\$ 16,288,634
Tuition	1,253,420	1,051,953	967,069	1,127,609
Other	2,045,578	1,790,888	2,234,570	1,979,886
Intermediate sources	7,455	-	28,111	13,974
State sources	21,001,096	19,492,157	19,216,125	17,803,210
Federal sources	962,098	1,179,748	1,107,290	449,850
Total revenues	<u>\$ 45,673,299</u>	<u>\$ 42,126,333</u>	<u>\$ 41,123,310</u>	<u>\$ 37,663,163</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 19,256,565	\$ 17,048,202	\$ 16,072,350	\$ 15,734,742
Special instruction	5,177,116	5,760,503	5,128,976	4,703,886
Other instruction	3,063,259	2,266,284	2,104,178	1,795,814
Support services:				
Student services	1,250,165	1,648,627	1,489,379	1,746,215
Instructional staff services	1,609,526	2,055,120	1,727,303	1,870,353
Administration services	3,404,941	3,225,940	2,860,983	2,166,667
Operation and maintenance of plant services	3,819,241	3,116,221	2,743,483	2,377,287
Transportation services	1,509,554	1,283,566	1,099,100	1,217,869
Central and other support services	-	89,770	214,611	-
Non-instructional programs	35,199	29,200	31,047	28,286
Other expenditures:				
Facilities acquisition	1,997,781	3,144,501	12,168,358	2,589,959
Long-term debt:				
Principal	1,965,000	1,875,000	1,775,000	1,700,000
Interest and fiscal charges	1,876,949	1,792,285	1,862,159	1,894,948
AEA flowthrough	1,522,333	1,452,261	1,485,575	1,417,202
Total expenditures	<u>\$ 46,487,629</u>	<u>\$ 44,787,480</u>	<u>\$ 50,762,502</u>	<u>\$ 39,243,228</u>

See accompanying independent auditor's report.

Statistical Section

LINN-MAR COMMUNITY SCHOOL DISTRICT

DISTRICT-WIDE EXPENSES BY FUNCTION – GOVERNMENTAL ACTIVITIES Last Ten Fiscal Years (Unaudited)

Fiscal Year Ended June 30,		Instruction	Support Services	Non- Instructional Programs	Other Expenditures	Total
2005	\$	27,306,154	\$ 11,942,886	\$ 35,199	\$ 5,275,892	\$ 44,560,131
2004		25,015,175	11,706,620	29,200	5,219,651	41,970,646
2003		23,389,464	10,255,710	31,047	4,327,663	38,003,884
2002	*					
2001	*					
2000	*					
1999	*					
1998	*					
1997	*					
1996	*					

* = Information is not applicable to years ended June 30, 2002 and prior due to implementation of the new reporting model for the year ended June 30, 2003.

Source: School District Financial Records

LINN-MAR COMMUNITY SCHOOL DISTRICT

GENERAL FUND EXPENDITURES, BY FUNCTION, AND OTHER FINANCING USES
Last Ten Fiscal Years
(Unaudited)

Expenditures by Function

Fiscal Year Ended June 30,	Instruction	Support Services	Non- Instructional Programs	Other Expenditures	Total Expenditures	Other Financing Uses
2005	\$ 26,278,462	\$ 10,711,877	\$ -	\$ 1,522,333	\$ 38,512,672	\$ (42,745)
2004	23,947,892	10,924,257	-	1,452,261	36,324,410	-
2003	22,164,892	9,730,893	-	1,485,575	33,381,360	-
2002	21,356,226	9,083,974	-	1,417,202	31,857,402	-
2001	19,707,627	9,188,976	-	1,389,418	30,286,021	-
2000	18,053,050	8,594,461	-	1,271,474	27,918,985	-
1999	16,259,564	7,343,060	-	1,188,863	24,791,487	-
1998	14,936,923	6,685,239	-	1,098,605	22,720,767	(264,551)
1997	13,925,275	6,408,563	-	1,011,235	21,345,073	(250,000)
1996	13,269,922	6,623,520	-	-	19,893,442	(740,000)

Source: School District Financial Records

LINN-MAR COMMUNITY SCHOOL DISTRICT

DISTRICT-WIDE REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30,	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Local Tax	Unrestricted State Grants	Miscellaneous	Total
2005	\$ 2,704,031	\$ 3,861,964	\$ -	\$ 20,413,415	\$ 18,313,369	\$ 380,520	\$ 45,673,299
2004	2,734,536	3,212,119	655,602	18,621,042	16,741,241	161,793	42,126,333
2003	2,225,028	3,413,166	564,664	17,570,145	16,373,697	976,720	41,123,420
2002	*						
2001	*						
2000	*						
1999	*						
1998	*						
1997	*						
1996	*						

* = Information is not applicable to years ended June 30, 2002 and prior due to implementation of the new reporting model for the year ended June 30, 2003.

Source: School District Financial Records

LINN-MAR COMMUNITY SCHOOL DISTRICT

GENERAL FUND REVENUES, BY SOURCE, AND OTHER FINANCING SOURCES
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30,	Local Tax	State	Federal	Miscellaneous	Total	Other Financing Sources
2005	\$ 14,544,873	\$ 20,984,741	\$ 962,098	\$ 2,136,586	\$ 38,628,298	\$ -
2004	13,325,279	19,462,627	551,008	1,744,674	35,083,588	-
2003	12,690,539	19,208,714	547,626	1,647,414	34,094,293	110
2002	11,281,454	17,800,387	449,850	1,756,775	31,288,466	560
2001	10,694,813	17,308,677	351,237	2,074,215	30,428,942	-
2000	10,420,872	15,947,705	291,708	1,924,631	28,584,916	-
1999	9,783,220	14,033,206	355,007	1,920,385	26,091,818	-
1998	9,157,897	13,083,866	206,800	1,852,258	24,300,821	-
1997	8,382,628	12,014,842	214,434	1,710,121	22,322,025	-
1996	7,814,665	9,437,164	217,284	1,768,919	19,238,032	1,249,500

Source: School District Financial Records

LINN-MAR COMMUNITY SCHOOL DISTRICT

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	General	Debt Services	PERL	PPEL	Management	Total
<u>Property Tax Levies</u>						
2005	\$ 14,596,018	\$ 3,629,625	\$ 34,995	\$ 1,166,448	\$ 1,048,335	\$ 20,475,421
2004	13,229,566	3,510,174	146,864	1,114,122	489,547	18,490,273
2003	12,624,459	3,336,487	138,202	1,065,300	315,000	17,479,448
2002	11,292,784	3,616,898	132,287	1,001,719	250,002	16,293,690
2001	10,596,925	2,751,595	123,882	924,949	250,003	14,647,354
2000	10,259,845	2,766,501	120,872	895,349	249,999	14,292,566
1999	9,584,773	2,801,257	112,720	834,960	250,004	13,583,714
1998	9,012,919	2,055,927	102,295	757,740	250,001	12,178,882
1997	8,386,681	919,702	97,326	720,936	200,002	10,324,647
1996	7,835,050	924,046	90,931	673,560	200,000	9,723,587

Property Tax Collections

2005	\$ 14,544,873	\$ 3,616,898	\$ 34,869	\$ 1,162,353	\$ 1,044,659	\$ 20,403,652
2004	13,325,279	3,526,118	147,925	1,119,179	493,086	18,611,587
2003	12,596,869	3,329,567	137,898	1,063,087	314,750	17,442,171
2002	11,197,172	3,593,439	131,081	995,220	247,724	16,164,636
2001	10,602,169	2,750,310	125,025	924,518	250,143	14,652,165
2000	10,329,770	2,785,308	121,695	901,447	251,702	14,389,922
1999	9,700,426	2,834,814	114,072	845,027	253,019	13,747,358
1998	9,081,756	2,071,654	103,075	763,525	251,942	12,271,952
1997	8,319,138	911,224	96,541	715,127	198,390	10,240,420
1996	7,765,099	913,750	92,308	667,585	198,315	9,637,057

Percentage Collected

2005	99.65	%	99.65	%	99.64	%	99.65	%	99.65	%	99.65	%
2004	100.72		100.45		100.72		100.45		100.72		100.66	
2003	99.78		99.79		99.78		99.79		99.92		99.79	
2002	99.15		99.35		99.09		99.35		99.09		99.21	
2001	100.05		99.95		100.92		99.95		100.06		100.03	
2000	100.68		100.68		100.68		100.68		100.68		100.68	
1999	100.21		101.20		101.20		101.21		101.21		101.20	
1998	100.76		100.76		100.76		100.76		100.78		100.76	
1997	99.19		99.08		99.19		99.19		99.19		92.18	
1996	99.11		98.89		101.51		99.11		99.16		99.11	

Source: School District Financial Records

THIS PAGE INTENTIONALLY LEFT BLANK

LINN-MAR COMMUNITY SCHOOL DISTRICT
 ASSESSED AND TAXABLE VALUE OF PROPERTY
 Last Ten Fiscal Years
 (Unaudited)

Assessment Year	Collection Year	Real Property		Utilities	
		Taxable Value	Assessed Value	Taxable Value	Assessed Value
2003	2004-05 (A)	\$ 1,151,172,439	\$ 1,851,410,654	\$ 15,275,581	\$ 17,166,356
2002	2003-04 (B)	1,096,672,553	1,694,179,714	17,449,122	17,449,122
2001	2002-03 (C)	1,048,767,918	1,615,215,870	16,531,519	16,531,519
2000	2001-02 (D)	985,965,706	1,416,750,021	15,753,545	15,753,545
1999	2000-01 (E)	909,439,072	1,321,139,183	15,510,277	15,510,277
1998	1999-00 (F)	883,787,170	1,244,174,567	16,575,946	16,575,946
1997	1998-99 (G)	822,585,318	1,177,702,846	16,403,250	16,403,250
1996	1997-98 (H)	746,385,532	1,009,925,808	15,068,898	15,068,868
1995	1996-97 (I)	709,888,172	959,523,142	14,498,050	14,498,050
1994	1995-96 (J)	664,153,440	829,224,532	13,811,390	14,207,932

- (A) Equalization order applied by County Auditor.
Rollback 48.4558% residential, 99.2570% utilities.
- (B) Equalization order applied by County Auditor.
Rollback 51.3874% residential, 100% utilities.
- (C) Equalization order applied by County Auditor.
Rollback 51.6676% residential, 100% utilities.
- (D) Equalization order applied by County Auditor.
Rollback 56.2651% residential, 100% utilities.
- (E) Equalization order applied by County Auditor.
Rollback 54.8525% residential, 100% utilities.
- (F) Equalization order applied by County Auditor.
Rollback 56.4789% residential, 100% utilities.
- (G) Equalization order applied by County Auditor.
Rollback 54.9090% residential, 100% utilities.
- (H) Equalization order applied by County Auditor.
Rollback 58.8284% residential, 100% utilities.
- (I) Equalization order applied by County Auditor.
Rollback 59.1380% residential, 100% utilities.
- (J) Equalization order applied by County Auditor.
Rollback 67.5074% residential, 97.2090% utilities.

Source: Linn County Auditor

Total		Ratio Taxable Value to Assessed Value
Taxable Value	Assessed Value	
\$ 1,166,448,020	\$ 1,868,577,010	62.4 %
1,114,121,675	1,711,628,836	65.1
1,065,299,437	1,631,747,389	65.3
1,001,719,251	1,432,503,566	69.9
924,949,349	1,336,649,460	69.2
900,363,116	1,260,750,513	71.4
838,988,568	1,194,106,096	70.3
761,454,430	1,024,994,676	74.3
724,386,222	974,021,192	74.4
677,964,830	843,432,464	80.4

LINN-MAR COMMUNITY SCHOOL DISTRICT

PROPERTY TAX RATES PER \$1,000 ASSESSED VALUATION
ALL DIRECT AND OVERLAPPING GOVERNMENTSLast Ten Years
(Unaudited)

Levy Year	Collection Year	City of Cedar Rapids	City of Marion	City of Robins
2003	2004-2005*			
	County	\$ 5.51347	\$ 5.51347	\$ 5.51347
	Schools	17.76825	17.76825	17.76825
	City	13.11797	13.65104	8.54268
	Miscellaneous	1.08096	0.98101	0.98101
	Total Levy	<u>\$ 37.48065</u>	<u>\$ 37.91377</u>	<u>\$ 32.80541</u>
Ratio of Linn-Mar Community School District to Total		<u>47.41%</u>	<u>46.86%</u>	<u>54.16%</u>
2002	2003-2004*			
	County	\$ 5.29322	\$ 5.29322	\$ 5.29322
	Schools	16.89647	16.89647	16.89647
	City	13.06777	13.46667	8.55126
	Miscellaneous	1.07587	0.97726	0.97726
	Total Levy	<u>\$ 36.33333</u>	<u>\$ 36.63362</u>	<u>\$ 31.71821</u>
Ratio of Linn-Mar Community School District to Total		<u>46.50%</u>	<u>46.12%</u>	<u>53.27%</u>
2001	2002-2003*			
	County	\$ 5.25419	\$ 5.25419	\$ 5.25419
	Schools	16.90663	16.90663	16.90663
	City	12.82969	13.25744	8.58425
	Miscellaneous	1.06121	0.9617	0.9617
	Total Levy	<u>\$ 36.05172</u>	<u>\$ 36.37996</u>	<u>\$ 31.70677</u>
Ratio of Linn-Mar Community School District to Total		<u>46.90%</u>	<u>46.47%</u>	<u>53.32%</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT

PROPERTY TAX RATES PER \$1,000 ASSESSED VALUATION
ALL DIRECT AND OVERLAPPING GOVERNMENTSLast Ten Years
(Unaudited)

Levy Year	Collection Year	City of Cedar Rapids	City of Marion	City of Robins
2000	2001-2002*			
	County	\$ 5.24684	\$ 5.24684	\$ 5.24684
	Schools	16.52524	16.52524	16.52524
	City	13.04	12.78971	8.61467
	Miscellaneous	1.01956	0.87966	0.87966
	Total Levy	<u>\$ 35.83164</u>	<u>\$ 35.44145</u>	<u>\$ 31.26641</u>
Ratio of Linn-Mar Community School District to Total		<u>46.12%</u>	<u>46.63%</u>	<u>52.85%</u>
1999	2000-2001*			
	County	\$ 5.3111	\$ 5.3111	\$ 5.3111
	Schools	15.93025	15.93025	15.93025
	City	12.74497	12.75826	9.04828
	Miscellaneous	0.97792	0.87427	0.87427
	Total Levy	<u>\$ 34.96424</u>	<u>\$ 34.87388</u>	<u>\$ 31.1639</u>
Ratio of Linn-Mar Community School District to Total		<u>45.56%</u>	<u>45.68%</u>	<u>51.12%</u>
1998	1999-2000*			
	County	\$ 5.3111	\$ 5.3111	\$ 5.3111
	Schools	15.94591	15.94591	15.94591
	City	12.4	12.39855	9.04591
	Miscellaneous	0.93054	0.89281	0.89281
	Total Levy	<u>\$ 34.58755</u>	<u>\$ 34.54837</u>	<u>\$ 31.19573</u>
Ratio of Linn-Mar Community School District to Total		<u>46.10%</u>	<u>46.16%</u>	<u>51.12%</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT

PROPERTY TAX RATES PER \$1,000 ASSESSED VALUATION
ALL DIRECT AND OVERLAPPING GOVERNMENTSLast Ten Years
(Unaudited)

Levy Year	Collection Year	City of Cedar Rapids	City of Marion	City of Robins
1997	1998-1999*			
	County	\$ 5.3811	\$ 5.3811	\$ 5.3811
	Schools	16.25259	16.25259	16.25259
	City	12.32432	12.46129	9.00902
	Miscellaneous	0.84003	0.85972	0.85972
	Total Levy	<u>\$ 34.79804</u>	<u>\$ 34.9547</u>	<u>\$ 31.50243</u>
Ratio of Linn-Mar Community School District to Total		<u>46.71%</u>	<u>46.50%</u>	<u>51.59%</u>
1996	1998-1999*			
	County	\$ 5.3811	\$ 5.3811	\$ 5.3811
	Schools	16.25259	16.25259	16.25259
	City	12.32432	12.46129	9.00902
	Miscellaneous	0.84003	0.85972	0.85972
	Total Levy	<u>\$ 34.79804</u>	<u>\$ 34.9547</u>	<u>\$ 31.50243</u>
Ratio of Linn-Mar Community School District to Total		<u>46.71%</u>	<u>46.50%</u>	<u>51.59%</u>
1995	1997-1998*			
	County	\$ 5.61839	\$ 5.61839	\$ 5.61839
	Schools	16.05941	16.05941	16.05941
	City	12.07416	13.16082	8.96845
	Miscellaneous	0.92556	0.9223	0.9223
	Total Levy	<u>\$ 34.67752</u>	<u>\$ 35.76092</u>	<u>\$ 31.56855</u>
Ratio of Linn-Mar Community School District to Total		<u>46.31%</u>	<u>44.91%</u>	<u>50.87%</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT

PROPERTY TAX RATES PER \$1,000 ASSESSED VALUATION
ALL DIRECT AND OVERLAPPING GOVERNMENTSLast Ten Years
(Unaudited)

Levy Year	Collection Year	City of Cedar Rapids	City of Marion	City of Robins
1994	1996-1997*			
	County	\$ 5.94563	\$ 5.94563	\$ 5.94563
	Schools	14.31511	14.31511	14.31511
	City	12.07417	13.10005	8.8193
	Miscellaneous	0.86018	0.91861	0.91861
	Total Levy	\$ <u>33.19509</u>	\$ <u>34.2794</u>	\$ <u>29.99865</u>
Ratio of Linn-Mar Community School District to Total		<u>43.12%</u>	<u>41.76%</u>	<u>47.72%</u>

* = Tax rates expressed in dollars per \$1,000 assessed valuation.

Source: Linn County Auditor

LINN-MAR COMMUNITY SCHOOL DISTRICT

RATIO OF GENERAL BONDED DEBT TO ASSESSED VALUE
AND GENERAL BONDED DEBT PER CAPITA AND PER STUDENT
Last Ten Fiscal Years
(Unaudited)

<u>Year of Collection</u>	<u>Population</u>	<u>Average Daily Membership</u>	<u>Assessed Values of Property</u>	<u>General Bonded Debt</u>	<u>Ratio of Bonded Debt to Assessed Value</u>
2004-05	26,294	4,975	\$ 1,166,448,020	\$ 45,265,000	3.88 %
2003-04	26,294	4,912	1,114,121,675	37,080,000	3.33
2002-03	26,294	4,708	1,065,299,438	38,955,000	3.66
2001-02	26,294	4,568	1,001,719,251	40,730,000	4.07
2000-01	26,294	4,119	924,949,785	40,430,000	4.37
1999-00	20,422	4,465	900,363,166	31,770,000	3.53
1998-99	20,422	4,337	838,988,568	33,005,000	3.93
1997-98	20,422	4,318	761,454,400	33,670,000	4.42
1996-97	20,422	4,174	724,391,979	16,419,500	2.27
1995-96	20,422	4,025	677,964,830	9,540,000	1.41

Source: Linn County Auditor
School District Financial & Enrollment Records

	<u>Bonded Debt Per Capita</u>		<u>Bonded Debt Per Student</u>
\$	1,721	\$	9,098
	1,410		7,549
	1,482		8,274
	1,549		8,916
	1,538		9,815
	1,556		7,115
	1,616		7,610
	1,649		7,798
	804		3,934
	467		2,370

LINN-MAR COMMUNITY SCHOOL DISTRICT

COMPUTATION OF LEGAL DEBT MARGIN

Last Ten Fiscal Years
(Unaudited)

	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>
Total Assessed Valuation	\$ <u>1,868,577,010</u>	\$ <u>1,711,628,836</u>	\$ <u>1,631,747,389</u>	\$ <u>1,432,503,566</u>	\$ <u>1,336,649,460</u>
Bonded Debit Limit *					
5% of assessed valuation	93,428,851	85,581,442	81,587,369	71,625,178	66,832,473
Bonded Debit at end of fiscal year	<u>45,265,000</u>	<u>37,080,000</u>	<u>38,955,000</u>	<u>40,730,000</u>	<u>40,430,000</u>
Debt Margin at end of fiscal year	\$ <u>48,163,851</u>	\$ <u>48,501,442</u>	\$ <u>42,632,369</u>	\$ <u>30,895,178</u>	\$ <u>26,402,473</u>

* = Code of Iowa Section 296.1

Source: Linn County Auditor
School District Financial Records

<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>
\$ <u><u>1,260,750,513</u></u>	\$ <u><u>1,194,106,096</u></u>	\$ <u><u>1,024,994,676</u></u>	\$ <u><u>974,021,192</u></u>	\$ <u><u>843,432,464</u></u>
63,037,526	59,705,305	51,249,734	48,701,060	42,171,623
<u>31,770,000</u>	<u>33,005,000</u>	<u>33,670,000</u>	<u>16,419,500</u>	<u>9,540,000</u>
\$ <u><u>31,267,526</u></u>	\$ <u><u>26,700,305</u></u>	\$ <u><u>17,579,734</u></u>	\$ <u><u>32,281,560</u></u>	\$ <u><u>32,631,623</u></u>

LINN-MAR COMMUNITY SCHOOL DISTRICT
COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2005
(Unaudited)

	Gross General Obligation Debt <u>Outstanding</u>	Percentage Applicable to Linn-Mar Community School District <u>District</u>	Linn-Mar Community School District <u>Share of Debt</u>
Direct:			
Linn-Mar Community School District	\$ 45,265,000	100.00	\$ 45,265,000
Overlapping:			
City of Cedar Rapids	72,880,300	10.62	7,739,888
City of Marion	10,560,000	60.97	6,438,432
City of Robbins	5,935,000	24.10	1,430,335
Kirkwood Community College	48,685,000	7.32	3,563,742
Linn County	<u>4,500,000</u>	15.29	<u>688,050</u>
Total overlapping	<u>142,560,300</u>		<u>19,860,447</u>
Total Direct and Overlapping Debt	<u>\$ 187,825,300</u>		<u>\$ 65,125,447</u>

Source: Linn County Auditor

LINN-MAR COMMUNITY SCHOOL DISTRICT

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Principal	Interest and Fiscal Charge	Total Debt Service	Total General Fund Expenditures	Ratio of Debt Service to Total General Fund Expenditures
2004-05	\$ 1,965,000	\$ 1,876,949	\$ 3,841,949	\$ 38,512,672	9.98 %
2003-04	1,875,000	1,792,285	3,667,285	36,324,410	10.10
2002-03	1,775,000	1,862,159	3,637,159	33,381,360	10.90
2001-02	1,700,000	1,893,431	3,593,431	31,857,402	11.28
2000-01	1,340,000	1,474,148	2,814,148	30,286,021	9.29
1999-00	1,235,000	1,534,047	2,769,047	27,918,985	9.92
1998-99	1,260,000	1,539,273	2,799,273	24,791,487	11.29
1997-98	1,179,500	1,200,501	2,380,001	22,720,767	10.48
1996-97	630,000	541,920	1,171,920	21,345,073	5.49
1995-96	455,000	559,045	1,014,045	19,893,442	5.10

Source: School District Financial Records

LINN-MAR COMMUNITY SCHOOL DISTRICT

MISCELLANEOUS DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years
(Unaudited)

Calendar Year	Linn County Resident Civilian Labor Force	Resident Total Employment	Cedar Rapids Retail Sales (In Millions)	Marion Retail Sales (In Millions)	Linn-County Unemployment Rate	State Unemployment Rate
2004	115,500	109,800	2,391.9	259.1	4.9 %	4.8 %
2003	116,300	110,900	2,328.2	252.2	4.7	4.5
2002	120,000	114,800	2,292.9	253.6	4.4	4.0
2001	117,200	114,000	2,229.5	237.9	2.8	3.3
2000	118,100	115,400	2,219.7	242.5	2.5	2.7
1999	112,900	110,500	2,168.0	234.1	1.8	2.5
1998	110,600	108,500	2,059.5	222.7	1.9	2.8
1997	108,900	106,100	1,899.7	213.9	2.6	3.3
1996	109,100	105,900	1,901.6	201.4	2.9	3.8
1995	107,000	104,000	1,780.2	190.2	2.8	3.5

Source: Cedar Rapids and Marion Chamber of Commerce
Iowa Department of Employment Services

LINN-MAR COMMUNITY SCHOOL DISTRICT
PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS

Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30,	Insured Property Value	Expenditures for Construction	Bank Deposit*
2005	\$ 70,749,991	\$ 1,962,487	\$ 1,656,331.15
2004	\$ 61,678,981	2,320,801	470,381.72
2003	58,546,915	11,594,240	791,857.47
2002	57,969,762	2,561,809	1,651,617.31
2001	56,778,402	1,332,308	1,463,656.65
2000	43,859,886	8,041,821	553,626.92
1999	41,130,810	16,000,362	1,695,619.55
1998	40,108,410	2,666,221	1,507,600.05
1997	33,622,470	235,966	3,559,422.61
1996	37,594,305	656,949	3,051,045.84

* = School district's General Fund and Management Fund
bank deposit at June 30.

Source: Bouslog Insurance, Inc.
District Financial Records

LINN-MAR COMMUNITY SCHOOL DISTRICT

PRINCIPAL TAXPAYERS

June 30, 2005
(Unaudited)

Taxpayer	Type of Business	2004 Assessed Value 1/1/2004 Valuation	Percentage of Total Assesed Valuation*
Rockwell Collins Inc	Aviation Electronics Manufacturer	\$ 40,917,326	2.19 %
SDG Macerich Properties	Real Estate Developer	33,518,562	1.79
OPM, LC	Real Estate Developer	15,430,634	0.83
Developers Diversified	Real Estate Developer	11,552,641	0.62
Davis Realty	Real Estate Developer	10,409,937	0.56
Hammons John Q Hotels	Hotel	9,675,466	0.52
Timberland Partners	Real Estate Developer	9,000,000	0.48
Target Corporation	Retail Store	8,419,751	0.45
Nash Finch Co	Food Wholesaler	7,043,152	0.38
Schamberger William D Trust	Telephone & Internet Service Provider	<u>6,515,115</u>	0.35
Total		<u>\$ 152,482,584</u>	

* = 2004 Total District Assessed Valuation is \$1,868,577,010

Source: Linn County Auditor

LINN-MAR COMMUNITY SCHOOL DISTRICT

NEW COMMERCIAL AND INDUSTRIAL BUILDING PERMITS

Last Ten Years
(Unaudited)

Year	City of Cedar Rapids New Commercial		City of Marion New Commercial	
	# of Permits	Valuation	# of Permits	Valuation
2004	47	\$ 16,796,266	9	\$ 1,292,890
2003	43	15,849,336	9	1,888,957
2002	41	17,987,403	7	1,198,331
2001	45	24,095,638	2	317,117
2000	56	42,126,701	12	3,360,064
1999	37	22,946,051	15	5,790,886
1998	46	33,084,726	5	1,701,162
1997	53	25,751,798	11	1,354,963
1996	52	25,249,976	16	2,134,914
1995	56	24,512,498	10	3,555,771

Year	City of Cedar Rapids New Industrial		City of Marion New Industrial	
	# of Permits	Valuation	# of Permits	Valuation
2004	4	\$ 2,989,448	1	\$ 91,872
2003	3	170,000	1	\$ 114,840
2002	1	225,000	1	1,877,468
2001	1	45,000	-	-
2000	6	450,454	-	-
1999	6	1,683,505	-	-
1998	12	4,225,110	1	322,560
1997	4	914,702	-	-
1996	8	413,860	-	-
1995	29	30,561,535	5	1,630,608

Source: City of Cedar Rapids Building Department
City of Marion

LINN-MAR COMMUNITY SCHOOL DISTRICT
NEW SINGLE AND MULTI FAMILY DWELLING

Last Ten Years
(Unaudited)

Year	City of Cedar Rapids Single-Family		City of Marion Single-Family	
	# of Permits	Valuation	# of Permits	Valuation
2004	334	\$ 34,423,845	289	\$ 29,467,226
2003	378	37,635,431	253	26,452,966
2002	370	37,741,513	227	23,370,869
2001	374	35,989,687	189	18,701,530
2000	327	40,942,580	180	14,832,690
1999	358	34,952,684	205	17,690,985
1998	390	37,218,609	184	15,802,574
1997	331	32,804,827	128	11,303,799
1996	322	28,638,757	160	12,988,080
1995	271	21,536,003	119	9,106,890

Year	City of Cedar Rapids Multi-Family		City of Marion Multi-Family	
	# of Permits	Valuation	# of Permits	Valuation
2004	18 (108)	\$ 33,595,118	14 (n/a)	\$ 3,245,040
2003	37 (n/a)	7,650,440	39 (n/a)	\$ 17,736,558
2002	19 (n/a)	15,644,822	47 (n/a)	17,875,071
2001	19 (n/a)	5,674,602	34 (n/a)	8,279,526
2000	75 (n/a)	23,970,471	42 (n/a)	8,931,257
1999	82 (n/a)	19,991,106	56 (n/a)	12,857,973
1998	37 (153)	8,058,898	35 (153)	11,109,526
1997	25 (n/a)	12,372,567	19 (n/a)	4,249,933
1996	33 (n/a)	9,128,052	27 (82)	4,664,402
1995	78 (n/a)	13,713,252	12 (53)	2,754,826

Source: City of Cedar Rapids Building Department
City of Marion

LINN-MAR COMMUNITY SCHOOL DISTRICT

OPERATING COST PER PUPIL

Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Total Costs*</u>	<u>Average Daily Attendance</u>	<u>Operating Costs Per Pupil</u>
2004-2005	\$ 38,512,612	4,765	\$ 8,082
2003-2004	36,324,410	4,702	7,725
2002-2003	33,381,360	4,509	7,403
2001-2002	31,857,402	4,392	7,254
2000-2001	30,286,021	3,946	7,675
1999-2000	27,918,985	4,294	6,502
1998-1999	24,791,487	4,145	5,981
1997-1998	22,720,767	4,132	5,499
1996-1997	21,345,073	3,995	5,343
1995-1996	19,893,442	3,842	5,178

* Includes all General Fund Expenditures

Source: School District Financial and Attendance Reports

LINN-MAR COMMUNITY SCHOOL DISTRICT

FINANCIAL SOLVENCY RATIO

Last Ten Fiscal Years
(Unaudited)

School Year	Unreserved, Undesignated General Fund Balance	Actual Revenues	Financial Solvency Ratio
2004-2005	\$ 2,522,629	\$ 38,628,298	6.53 %
2003-2004	2,364,453	35,083,588	6.74
2002-2003	3,801,967	34,094,293	11.15
2001-2002	3,010,114	31,288,466	9.62
2000-2001	3,356,452	30,428,942	11.03
1999-2000	3,160,473	28,584,916	11.06
1998-1999	2,628,355	26,092,018	10.10
1997-1998	1,314,714	24,300,821	5.41
1996-1997	100,152	22,322,025	0.45
1995-1996	(606,915)	19,238,032	(3.15)

* Financial Solvency Ratio =
$$\frac{\text{Undesignated, Unreserved General Fund Balance}}{\text{Actual Revenues}}$$

The financial solvency ratio measures movement and distribution of current assets. The financial solvency ratio represents a school district's year end position after payment of all current and outstanding or accrued liabilities.

Ranges utilized are:

Targeted Solvency Position:

Financial Solvency Ratio ranging from 5% to 10% of actual revenues. A school district is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term obligations.

Acceptable Solvency Position:

Financial Solvency Ratio ranging from 0% to 4.99% of actual revenues. Fund balance is considered adequate for short-term purposes as long as other local economic trends, such as property tax collections and enrollment are sound.

Solvency Alert:

A solvency alert exists if the school corporation has a negative solvency ratio up to -3.0% of actual revenues. A negative solvency position in this range warrants prompt management response but could be caused by operating revenue/expenditure fluctuations within one budget year.

Solvency Concern:

A solvency concern exists if the school corporation has a negative solvency ratio in excess of -3.0% of actual revenues.

Source: School District Financial Records

LINN-MAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY MEMBERSHIP (ADM),
AVERAGE DAILY ATTENDANCE (ADA) AND RATIO OF ADA TO ADM
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year Ending June 30,</u>	<u>Average Daily Membership (ADM)</u>	<u>Average Daily Attendance (ADA)</u>	<u>Ratio of ADA to ADM</u>
2005	4,975	4,765	95.78 %
2004	4,912	4,702	95.72
2003	4,708	4,509	95.77
2002	4,568	4,392	96.15
2001	4,119	3,946	95.80
2000	4,465	4,294	96.17
1999	4,337	4,145	95.57
1998	4,318	4,132	95.69
1997	4,174	3,995	95.71
1996	4,025	3,842	95.45

Source: District Enrollment Records

LINN-MAR COMMUNITY SCHOOL DISTRICT

OPEN ENROLLED STUDENTS

Last Ten Fiscal Years
(Unaudited)

<u>School Year</u>	<u>Open Enrollment In</u>	<u>Open Enrollment Out</u>	<u>Net Gain (Loss)</u>
2005	158	491	(333)
2004	135	490	(355)
2003	128	470	(342)
2002	139	459	(320)
2001	170	446	(276)
2000	167	385	(218)
1999	174	334	(160)
1998	206	311	(105)
1997	187	288	(101)
1996	163	213	(50)

Source: Certified Enrollment

LINN-MAR COMMUNITY SCHOOL DISTRICT

PROPERTY TAX RATES BY FUND PER \$1,000 ASSESSED VALUATION Last Ten Fiscal Years (Unaudited)

Fiscal Year Ending June 30,	General	Management	Board PPEL	Playground	Voted PPEL	Debt Service	Total
2005	\$ 12.71299	\$ 0.91309	\$ 0.33000	\$ 0.03048	\$ 0.67000	\$ 3.11169	\$ 17.76825
2004	12.17075	0.45000	0.33000	0.13500	0.67000	3.15062	16.90637
2003	12.35356	0.30770	0.33000	0.13500	0.67000	3.13197	16.92823
2002	11.52442	0.25513	0.33000	0.13500	0.67000	3.61069	16.52524
2001	11.54795	0.27244	0.33000	0.13500	0.67000	2.97486	15.93025
2000	11.76571	0.27922	0.33000	0.13500	0.67000	3.07265	16.25258
1999	11.47932	0.29942	0.33000	0.13500	0.67000	3.33885	16.25259
1998	11.89448	0.32993	0.33000	0.13500	0.67000	2.70000	16.05941
1997	11.63306	0.27742	0.33000	0.13500	0.67000	1.26963	14.31511
1996	11.63230	0.29693	0.33000	0.13500	0.67000	1.36297	14.42720

Source: School District Financial Records

This page intentionally left blank

Internal Controls and Compliance Section

LINN-MAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U. S. Department of Agriculture:			
Secondary Agriculture Education Grants	10.226	FY 03	\$ <u>3,546</u>
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY 05	<u>78,148</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 05	52,932
National School Lunch Program	10.555	FY 05	<u>305,010</u>
			<u>357,942</u>
			<u>436,090</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	3715-Delinquent	11,228
Title 1 Grants to Local Educational Agencies	84.010	3715-GC-05	17,463
Title 1 Grants to Local Educational Agencies	84.010	3715-G-05	<u>227,068</u>
			<u>255,759</u>
State Grants for Innovative Programs	84.298	FY 04	6,362
State Grants for Innovative Programs	84.298	FY 05	<u>13,447</u>
			<u>19,809</u>
Safe and Drug-Free Schools and Communities			
- State Grants	84.186	FY 05	<u>19,826</u>
Improving Teacher Quality State Grants	84.367	FY 04	41,631
Improving Teacher Quality State Grants	84.367	FY 05	<u>76,639</u>
			<u>118,270</u>
Vocational Education - Basic Grants to States	84.048	FY 05	<u>45,321</u>
Grants for State Assessments and Related Activities	84.369	FY 04	24,269
Grants for State Assessments and Related Activities	84.369	FY 05	<u>29,034</u>
			<u>53,303</u>

LINN-MAR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2005

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect (continued):			
U. S. Department of Education (continued):			
Iowa Public Television:			
Fund for the Improvement of Education	84.215	FY 05	\$ <u>45,935</u>
Grant Wood Area Education Agency:			
Special Education - Grants to States	84.027	FY 04	6,145
Special Education - Grants to States	84.027	FY 05	<u>252,726</u>
			<u>258,871</u>
			<u>817,094</u>
U. S. Department of Health and Human Services:			
Linn County Department of Human Services:			
Medical Assistance Program	93.778	FY 04	<u>14,453</u>
Total indirect			<u>1,267,637</u>
Total			\$ <u><u>1,271,183</u></u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Linn-Mar Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Linn-Mar Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Linn-Mar Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 21, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Linn-Mar Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no material weaknesses during the course of our audit.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Linn-Mar Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Linn-Mar Community School District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Linn-Mar Community School District and other parties to whom Linn-Mar Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Linn-Mar Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
September 21, 2005

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

To the Board of Education of
Linn-Mar Community School District:

Compliance

We have audited the compliance of Linn-Mar Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Linn-Mar Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Linn-Mar Community School District's management. Our responsibility is to express an opinion on Linn-Mar Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U. S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Linn-Mar Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Linn-Mar Community School District's compliance with those requirements.

In our opinion, Linn-Mar Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Linn-Mar Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Linn-Mar Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Linn-Mar Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no material weaknesses during the course of our audit.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Linn-Mar Community School District and other parties to whom Linn-Mar Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
September 21, 2005

LINN-MAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Linn-Mar Community School District qualified as a low-risk auditee.

LINN-MAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

Part II: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

- II-A-05 Financial Condition – The District had several accounts in the Special Revenue Fund, Student Activity with deficit balances at June 30, 2005.

Recommendation – The District should investigate alternatives to return these accounts to healthy financial conditions. The District should review purchase approval procedures for the Student Activity accounts and may wish to require additional approval before ordering goods or services from these accounts.

Response – We will investigate alternatives and we will monitor the Student Activity accounts to try to keep improving on these deficit balances.

Conclusion – Response accepted.

- II-B-05 Employee Advances – We noted that the District makes advances upon request by new employees toward the new employees' first contract payment for services rendered. However, the District has no formal policy for guidelines on the allowability of such advances.

Recommendation – The District should adopt a policy with guidelines on the allowability of employee advances. The guidelines should include the support documentation required to be kept by the District and should insure that all transactions properly flow through payroll records. No advances should be made to new employees for amounts greater than the value of services already performed by the new employee.

Response – We now limit all advances to amounts actually earned by the new employee and we feel we adequately support all transactions. However, we will discuss a formal policy which insures compliance with practices already followed and which prevents advances to employees who have not yet delivered services to the District.

Conclusion – Response accepted.

LINN-MAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

No matters were reported.

LINN-MAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

Part IV: Other Findings Related to Statutory Reporting:

IV-A-05 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

IV-B-05 Certified Budget – Expenditures for the year ended June 30, 2005, exceeded the amounts budgeted in the instruction and other expenditures functional areas.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – This situation arose because of state mandated coding changes made too late in the year to allow us to amend the budget. We will make every attempt to amend our budget before expenditures exceed the budget in the future.

Conclusion – Response accepted.

IV-C-05 Questionable Expenditures – Except as previously noted in item II-B-05, no expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-05 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-E-05 Business Transactions – No business transactions were noted between the District and District officials or employees.

IV-F-05 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-05 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-H-05 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for September 2004 was overstated by 27 students. The District's certified enrollment count was overstated due to the District counting 27 "open enrolled in" students as resident students on line 1.

Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

IV-I-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

LINN-MAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-J-05 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-05 School Meal Programs – The District’s agreement governing participation in the national free and reduced price meal programs requires that the District obtain written verification on household income from three percent of participant households, randomly selected from all approved free or reduced price meal applications. This procedure is required to be completed by December 15 of the school year. However, the District did not complete the verification procedure until January 3, 2005. We noted no questioned costs due to this error.

Recommendation – The district should complete the application verification procedure in a timely manner in the future.

Response – We held our procedure open this year due to late responses from affected households. We will not delay action in the future for late responses and we plan to send the initial verification letters earlier in the year.

Conclusion – Response accepted.

This document was created with Win2PDF available at <http://www.win2pdf.com>.
The unregistered version of Win2PDF is for evaluation or non-commercial use only.